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Effects of Tax Simplification and Lower Tax Corruption on Tax Efficiency

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Abstract

Tax simplification has always been in the agenda of policymakers to increase the efficiency of the tax system and tax compliance burdens for taxpayers. Now, interestingly, there is also a thinking that less complex tax systems might even contribute to higher tax revenues. This makes it ever more important, in this era of high government budget deficits. Secondly, policymakers have been searching for ways of increasing tax revenues with the minimum negative distortions to their economies. One of the ways of accomplishing this aim too would be having less complex tax systems. In the literature, empirical studies, especially the ones using cross-country analysis, are considerably limited. The aim of this paper is the empirical investigation of the impact of tax simplification on the efficiency of tax systems in a cross-country setting. Simpler tax laws and administration contribute to more efficient administration with less discretion leading to greater efficiencies in tax collection. Lower corruption associated with simpler tax systems are also expected to yield higher revenues. Both these aspects taken together lead to higher efficiencies of tax systems.

The main statistical tools will be regression analyses in addition to graphical and tabular analyses. In the regression specification, tax efficiency will be a function tax simplification indicators and control variables. The control variables will be selected from macroeconomic, demographic, or institutional variables which can determine tax effort of countries. Possible control variables can be trade openness, growth, the size of shadow economy, the quality of governance and institutions, population, and macroeconomic stability. A panel dataset will be used in the paper. Around 100 developed and developing countries from different regions of the World, including Europe and Asia, will be included in the study. The dataset will cover the years from 2002 to 2012. Tax efficiency (tax effort) will be introduced using two alternative measures: a traditional regression approach and stochastic frontier analysis. Tax simplification will be measured by Time to Comply and Number of Payments from the Doing Business Indicators Database, and tax corruption will be generated from the Enterprise Surveys Database.

The paper will help us better understand the overall impact of tax simplification on taxes through the tax corruption mechanism. We expect that the outcomes of the proposed paper can have useful policy implications. The expected outcomes can place numerical values on the possible impact of tax simplification on effectiveness of tax collection systems.

Keywords: tax efficiency, tax policies, tax corruption, tax simplification
Impact of Transformational and Transactional Leadership Styles on Job Satisfaction: A Study of Agricultural Businesses in Erbil

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Abstract

The main aim of this study is to investigate the impact of transformational leadership and transactional leadership styles on job satisfaction in agricultural businesses in Erbil. There are many studies in the field of leadership styles and its impact on job satisfaction in order to create better efficiency and effectiveness and to motivate and satisfy employees and lead to increase level of job satisfaction. The effective leaders are enablers that directly points to inspire employees. Many businesses are successful not just because of their business idea, but also because of their employees. This study was carried out at dairy product suppliers in Erbil. The quantitative method used to gather relevant information regarding to the impact of transactional leadership and transformational leadership styles on job satisfaction. The researcher gathered data for the study through distributing questionnaires as primary data. Secondary data needed for conducting research work will be collected from recent academic articles, books and previous studies related to the impact of transformational leadership, transactional leadership styles and job satisfaction. The sampling technique was a random sampling method, where all employees at dairy product suppliers had equal chances of being selected for the sample. The sample size was 112 units. Data analyzed through SPSS version 20. A multi regression analysis used to test research hypothesis. The findings of this study revealed that there is a positive impact of transformational leadership style on job satisfaction, accordingly the first research hypothesis supported. But there is negative impact of transactional leadership styles on job satisfaction, therefore second research hypothesis rejected. The limitation of this study was the data gathered from dairy product suppliers did not represent the whole population as sample size was smaller and results may be varied with bigger sample size.

Keywords: transformational leadership, transactional leadership, job satisfaction, agricultural businesses

Introduction

There are numerous studies in the field of leadership styles and its impact on job satisfaction in organizations in order to create better efficiency and effectiveness. Many scholars and educators tried to provide right definitions and stress their fundamental roles by referring to various OB concepts and theories into their activities within the internal and external environment. Organizational Behavior investigate, leadership styles based on their traits and behavioral characteristics, and help respond to economic pressures, manage diversity, improve employees skills, help balance work life, improve customers service and establish ethical behavior in the workplace. According to Robbins and Judge (2009), specifically OB focuses on how leaders can improve effectiveness, decrease staff turnover, increase organizational commitment behavior, increase job satisfaction, create a positive work environment and stimulate innovation. Moreover, OB provides a direction for leaders and especially for leaders to choose the right styles of leadership that may suit to organization’s norm and values in order to meet future mission statement targets (Robbins and Judge 2009). Therefore, it could be true to say that, it is a concept that examines the effects that an employee and group of employees and the organization structure have on behavior within the organization that match their targets in order to achieve an ethically, healthy work environment. Organizations are seeking for leaders with vision

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and leaders with transformational leadership qualities and charisma to carry out the vision. Even though factual leadership effectiveness could be a result of showing the true behaviors at the right time, many researchers confirmed that individual have a moderately uniform perception of leader’s appearance (Robbins and Judge 2009).

**Literature Review**

*Defining leadership*

According to Robbins and Judge (2009) leadership refer to abilities and to the competences of an individual that can persuade other individuals and groups in order to accomplish an aim or set of targets. Thus, are the skills that a leadership shows to influence a group to achieve a vision or a stated set of targets. Furthermore, leadership is about coping with change and a way of creating a vision of the future and inspiring people (Robbins and Judge 2009). Moreover, as explained by Njan and Thomas (2010), for leadership success it is important to understand that, it is a social process and is vital to understand how people feel and according to James Scouller (2013) it involves providing a direction that will inspire employees to work willingly by establishing unity and effectiveness towards stated aims. It is true to state that, leadership effectiveness in the workplace depends on how people interact with each other in terms of achieving stated aims successfully, and for this purpose, effective leaders create value, by identifying those that best fit their circumstances Cameron, Quinn, Degraff and Thakor (2006). On the other hand, an effective leadership style aim to identify what the future should be and help to unite people with a vision and influence them to make it happen despite the difficulties (John Kotter, 2013). Moreover, the functional approach implies that, leadership occurs based on four critical processes: establish a mission, plan goals, maintain commitment, and adapt to changes (Parsons, Bales, and Shils, 1953) as cited by Raelin (2011).

*Leadership and leadership style*

According to Northouse, (2010) and Yukl (2005) defined leadership as an interaction process between the followers and the leaders where the leaders effort to inspire followers to attain a common objectives (as stated by Voon et al., 2011). Many academic researchers presented continuously different perspectives on leadership dimensions. Stogdill (1948) mentioned that the leadership style is a sort of technique and competence intended at understanding organizational aims and additionally have an impact on organizational activities. Furthermore, Fiedler (1969) explained that the leadership style indicates to a sort of relationship that somebody practices his/her rights and methods in order to make many individuals work together for a shared task (as stated by Fu-Jin, et al., and 2010). According to Podsakoff et al., (2000) skills of the leaders will have a positive impact on organizational commitment. Leadership styles and leaders influence the overall job satisfaction. Previous studies have proved leadership’s positive effect on the deployment OCB by followers. Pearce & Herbik (2004) and Ehrhart & Naumann (2004) showed the importance of leadership behaviors for OCB norms (As stated by Khan et al., 2013). According to Örgev (2013) defined leadership as an individual’s capability to increase follower’s emotion in order to attain certain goal or goals. It directs an effect on the relationship behavior between followers and leaders in a certain circumstances with the mutual purpose to achieve the organization goals. In general, researchers propose that effective leaders have to be able to set a vision, build trust and direct followers toward goal accomplishment.

*Transformational leadership*

According to Bass (1985) Transformational leaders motivate the followers guiding to the right direction, clarifying individual roles and motivating the followers with positive attitudes. According to Podsakoff et al. (2000) there is a direct link between transformational leader and the leader member exchange. Also Podsakoff et al. (1990) found the same between transformational leadership and OCB (As stated by Khan et al., 2013). Several studies have concentrated on distinguishing between transformational and transactional leaders for example, Ohio state studies, Fiedler’s model, and path
goal theory. Transformational leaderships concentrate on follower’s development, leaders who have influence on follower’s problem solving by viewing at old problems in new ways and leaders who inspire their followers with positive attitudes. Transactional leaders guide their followers by illustrating the tasks, duties and responsibilities toward certain goal (As stated by Robbins and Judge.2009).

**Transactional leadership**

According to Bass (2008) transactional leadership assist the followers to define tasks to each individual in order to be able to achieve organizational objectives. According to Cherry (2007), transactional leader establishes objective and targets, in order to certify the success they converse activities clearly, and bring into line the assets with the collaboration of employees to attain the objectives which eventually encourages the employees. Previous studies such as Bass et al. (2003) and Podsakoff et al. (2000) showed the evident of the positive relation between transactional leadership and employee’s attitudes and behaviors. Some current studies (Rubin et al., 2010; Walumbwa et al., 2008) also showed evident of the significant relationship between OCB and transactional leadership (As stated by Khan et al., 2013). Transactional and transformational leadership are not opposite approaches, they are complete each other at the same time they do not consider equally important (As stated by Robbins and Judge.2009).

**Job satisfaction**

According to Calvo-Salgueiro, et al., (2010) Job satisfaction is defined as an attitude related with an individuals’ degree of their dislike or like their current job. Hussain Khan,(2012) defined Job satisfaction as a consequences of various elements such as satisfaction, promotion, relationships among employees, pay and equal employment opportunity. Ali, (2009) defined Job satisfaction as the positive emotional feeling consequence from achieving what an individual desires or values from his or her current job. Sowmya and Panchanatham, (2011) defined job satisfaction as emotion or feeling that an employee has regarding current job. Also, they pointed out that many academic scholars tried to determine several job satisfaction components, assess relative significance for each job satisfaction components and investigate the influence of all these job satisfaction components on employee’s satisfaction and productivity. Job satisfaction is an attitude which is a consequence of outline and consistent of many precise likes and dislikes experiences with the job. A job satisfaction for an individual considers as a degree of satisfaction and it depends on the job. Job satisfaction is a vital pointer of how an individuals’ feel regarding of the job and defines how much they are satisfied with their job. The level of satisfaction of individuals linked with rise of organizational output. Job satisfaction of an individual considers an important factor is to the achievement of an organization. In every organization a high rate of individuals’ satisfaction is strongly correlated with a low level of employee turnover (Ghafoor, 2012). Therefore, keeping individuals happy and satisfied with their present job would be a leading priority for every organization. Human resource management practices attempt to allocate and assign the human capital in the great potential ways to attain long term organizational objectives, they offer penalty of advantages and benefits resulting increasing level of job satisfaction (Jeet and Nuzzafar, 2014).
Research hypotheses:

H1: There is a positive impact of transformational leadership on job satisfaction in dairy product suppliers in Erbil.

H2: There is a positive impact of transformational leadership on job satisfaction in dairy product suppliers in Erbil.

Research Methodology

This research was carried out at the dairy product supplier company in Erbil. A quantitative method was used to gather relevant information regarding the impact of transformational and transactional leadership styles on job satisfaction in a dairy product supplier company. Research methodology describes the samples used, defines the measurements used in formulating the instrument, explains the data collection process, and clarifies the statistical method used to analyze the data.

Design of the study

The researcher used a questionnaire in order to collect data about the impact transformational and transactional leadership styles on job satisfaction in dairy product Supplier Company in Erbil. The questionnaire was composed of two sections. The first section consisted of demographic questions, starting with the respondent's age, gender, level of education. The second section of the questionnaire consisted of eleven questions regarding transformational leadership styles, eight questions regarding of transactional leadership styles and six questions regarding of job satisfaction.

Procedures used for generating, collecting and evaluating data

The researcher gathered data for the study through distributing questionnaires as primary data. The questionnaire is prepared and distributed to the employees at dairy product Supplier Company in Erbil. Secondary data is needed for conducting research work which is done by collecting it from recent academic articles, books and previous studies related to effect of transformational and transactional leadership styles on job satisfaction in a dairy product supplier company.

Sampling size and target population
A random sampling method was adopted to collect data, where all employees in a dairy product supplier company will have equal chances of being selected from the sample group. The population of the study was 189 units and the sample size was 112 units.

Instrument for measuring (scales)

The questionnaire is structured in the form of multiple choice questions. The participants were asked to rate how strongly they agree on each item on a five points Likert order scale. The questionnaire is designed and adapted from (Sadeghi and Pihie, 2012) and (Gill, et al., 2011).

Data analysis

Table 1: Reliability tests

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>.843</td>
<td>9</td>
</tr>
<tr>
<td>Transactional leadership</td>
<td>.819</td>
<td>8</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>.811</td>
<td>6</td>
</tr>
</tbody>
</table>

Table (1) shows the reliability analysis for all factors, the researcher found out Cronbach’s Alpha for transformational leadership style =.843 for nine items, which are greater than .6 this means that transformational leadership styles’ nine items were reliable for this study. The Cronbach's Alpha for the transactional leadership styles =.819 for eight items, which are greater than .6 this means that transactional leadership styles’ eight items were reliable for this study. The Cronbach's Alpha for the job satisfaction =.811 for six items, which are greater than .6 this means that job satisfaction’s six items were reliable for this study.

Table 2: Correlations

<table>
<thead>
<tr>
<th>Factors</th>
<th>Pearson Correlation</th>
<th>Transformational</th>
<th>Transactional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>Pearson Correlation</td>
<td>.666**</td>
<td>.622**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>112</td>
<td>112</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Table (2) shows the correlation between leadership styles’ factors as independent factor (transformational and transactional) and job satisfaction as dependent factor. The value of R for the cognitive transformational leadership styles = .666** which indicates that transformational leadership style is significantly correlated with job satisfaction. The value of R for the transactional leadership style =.622** which indicates that transactional leadership styles is significantly correlated with job satisfaction.

Table 3: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.701*</td>
<td>.516</td>
<td>0.492</td>
<td>.67034</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Transformational, Transactional

As seen in the table (3), the value of R square = .516 which indicates that 51% of variables have been explained.

Table 4: ANOVA
Table (4) shows the value of F for three independent factors and a dependent factor is $42.277 > 1$ which indicates there is a significant association between three independent factors and dependent factor.

Table 5: Coefficients

Table (5) shows the coefficients analysis for this study. As seen in the above table the value B for transformational leadership styles = .743 > 0.01, which supports the first research. The value B for transactional leadership styles = -.164 < 0.01, the second research hypothesis was rejected.

Conclusions

Leadership help to understand behavior and the way the leader establishes to achieve a set target. Leadership traits and behavior theories have failed in explaining leadership effectiveness and have not guaranteed a leader’s success. The coefficients analysis for this study, the value B for transformational leadership styles = .743 > 0.01, which supports the first research. The value B for transactional leadership styles = -.164 < 0.01, the second research hypothesis was rejected. Finally the researcher came to conclude that there is a positive impact of transformational leadership on Job satisfaction in agricultural business in Erbil and there is a negative impact of transformational leadership on Job satisfaction in agricultural business and particularly dairy product suppliers in Erbil.

The limitation of this study was the data gathered from dairy product suppliers did not represent the whole population as sample size is smaller and results may be varied with bigger sample size.

References


Which Type of Brand Posts Functions Best on Facebook Brand Pages of Credit Cards? An Examination of Miles Credit Cards’ Facebook Brand Pages in Turkey

Gülçin İpek Emeksiz, Anadolu University, Turkey

Abstract

Apart from creating connections with friends, Facebook, the most popular social networking site, is also used by companies as a platform for corporate communication activities. By allowing two way communication between brands and consumers, Facebook helps companies to release their corporate news and get instant feedback from their customers through likes and comments. While companies promote their new products and services through Facebook and create brand awareness, consumers get a chance to know about special discounts and become involved in the campaigns offered by companies through becoming one of their Facebook fans.

Consumers who join Facebook brand fan pages become a part of a brand community with other people sharing the same interests and they show how much they are engaged with a brand by liking, sharing or commenting on brand posts. Brand posts containing different marketing strategies are comprised of images, videos, links and information about products and services, and the popularity of brand posts is evaluated through the number of likes and comments that they receive on Facebook.

The present research aimed to find out which type of brand posts create more customer engagement on Facebook brand fan pages of credit cards. Four brand post categories have been developed by Hong (2011): information, entertainment, promotional and social postings and were appraised in the research. Then customer engagement was evaluated by looking at the number of likes, comments and shares that the brand posts received. The types of multimedia that the brand posts contain, the time frame in which the brand posts are shared and the length of the brand post texts were also analyzed.

The research design of this study is a case study and the sample for the research consists of the Facebook brand pages of the “miles credit cards” in Turkey. The data was analyzed through the method of content analysis. The results provide valuable findings showing which type of brand post functions best on Facebook brand pages of the credit cards. The findings will shed light on marketers looking for ways to increase customer engagement through brand posts on Facebook.

Keywords: corporate communication, social media marketing, Facebook, brand posts, customer engagement
1. Introduction

With advancements in technology, the number of internet users is increasing every day. According to the statistics for 2014, there were 3 billion internet users worldwide and Turkey had more than 35 million of them (Internet Live Stats, 2015). Recent research, carried out by the Turkish Statistical Institute entitled Information and Communication Technology Usage in Households in Turkey, found that 60% of households in Turkey have access to the internet and 78% of the people with such access have already joined social networking sites (TUIK, 2014). Turkish people use the internet for a variety of purposes such as sending e-mail, doing research, reading news, discussing politics, playing games, sharing photos and videos, setting appointments, searching for products and services and doing shopping. But above all, they use the internet to get in touch with their friends and families through social networking sites.

The statistics generally indicate that Turkish people spend approximately two and a half hours on social media every day (Dijital Ajanslar, 2014). Turkish companies, seeing that people spend a good deal of time on the internet, especially in social networking sites, have realized that it is much quicker, easier and cheaper to reach a larger audience with social media tools compared to traditional media tools such as television and newspapers. Thus, they began to invest in various social media tools such as Facebook, Twitter, Youtube, Linkedin, Instagram and blogs. By using these tools, they strengthen their communication with their existing and potential customers in an interactive environment.

For instance, on Facebook, companies build a brand community which is an online special community that brings together the admirers of a brand. A brand community is defined as a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand (Muniz and O’guinn, 2001, p. 412). Brand communities on Facebook which are also known as Facebook brand fan pages are the meeting points of many customers sharing the same interests and passion about brands. Thanks to these brand fan pages, companies can learn about their customer profiles, get feedback from their customers concerning their products and services and understand their customers’ actual needs. Facebook thus offers a great opportunity to companies for researching consumer behavior. Hence, companies do not need to spend a lot of money on marketing research by using traditional media tools. Instead, Facebook measurements segment people according to their age, gender, occupation, city and visit duration which can help companies to find out what their brands actually mean to their customers more easily.

From the perspective of consumers, having previous experiences with the brand, trusting in the brand and seeking the opportunity to participate in contest and promotions of the brand are the main reasons why consumers become a brand follower on Facebook brand fan pages (Pereria et al. 2014, p.699). Getting invitations from their Facebook friends is another factor that motivates consumers to join into Facebook brand fan pages. By participating in Facebook brand fan pages, consumers are involved in concrete discussions with other consumers and find a chance to reach company representatives.

The number of credit card users in Turkey has reached massive numbers in the last few years and Turkey has nearly caught up with England, the lead country in Europe in the number of credit cards users. Credit card statistics for 2014 indicated that the number of credit cards users reached 54.3 million in Turkey while the number of credit card users in England stood at 56.4 million that same year (Bloomberg, 2014). Credit cards are a sector which is growing rapidly. Turkish banks are highly motivated to develop strategies to draw the attention of their existing and potential customers in social media platforms such as Facebook and seek to discover which type of brand post creates more customer engagement. This research aims to answer this question by analyzing the Facebook brand fan pages of the banks that offers miles credit cards in Turkey. In the last few years, miles credit cards which have given people an opportunity to earn free miles from flights and shopping rank among the favorite services of banks and have managed to draw the attention of many consumers. These cards allow people to take advantage of many services such as free airport transportation and free lounge services at domestic and international airports. Furthermore, they offer people free flights to several destinations both inside and outside of Turkey with the earned miles. In addition, they allow people to enjoy discounts in numerous global and local brands and chic restaurants within Turkey. Thus, the
demand to these cards increases day by day. The number of these card owners in Turkey have already passed 2 million and have been continuing to increase with several campaigns (Airport Haber, 2012). The present research also endeavoured to find out which types of multimedia that the brand posts contain, what time the brand posts are shared/posted and how long the brand post texts are on Facebook pages of miles credit cards in Turkey. This way, insights into how marketers of miles credit cards in Turkey manage their Facebook brand fan pages was gained.

2. Theoretical Background

2.1. Web 2.0 technology and social media

During the first years of the internet, the Web 1.0 technology only allowed users to read the content presented on the websites by companies. Web 1.0 technology was used by companies to convey basic information to consumers about their products and services, but there was no interaction between companies and consumers. Consumers consumed the information on the company websites by reading it but could not respond to it. On the other hand, Web 2.0 technology has been about the emergence of user generated content and the Web 2.0 technology enables every user having an internet connection to create content regardless of location and time. This way, consumers began to interact with companies by leaving comments on their websites, blogs, or social networking sites about their opinions and by getting responses back from company representatives. While this improved the customer - brand relationship considerably, there was one drawback for companies. Companies had started to share the control of their brand with consumers who express their opinions freely on the web. While social media offers many marketing advantages to companies such as a two way communication with customers, it also poses some threats such as threads of negative electronic word of mouth. Thus, social media is a platform which needs to be managed with cautious strategies by companies.

Social media is defined as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of user-generated content (Kaplan and Haenlein, 2010, s. 61). Blogs, microblogs, social networking sites, forums, wikis, virtual worlds and podcasts are some of the Web 2.0 applications in social media. For instance, blogs are one of the important tools that companies use to share information about their corporate news and activities with their blog readers. Apart from personal blogs and theme blogs, blogs are mainly divided into four: 1) executive blogs, 2) corporate blogs, 3) product blogs and 4) employee blogs. Corporate blogs are used in order to introduce the corporate identities and corporate activities of the companies to their customers. Executive blogs and employee blogs are used to give insights into the corporate environment. Product blogs are utilized to introduce products that the companies release to the market. It is possible for companies to know how their services are perceived in the market by reading the comments left by consumers on product blogs. In return, company representatives can give answers to their customers’ requests by using blogs as a two way street.

Another important tool that companies can use in social media is microblogs. Twitter is a famous microblog site which allows users to explain what they are thinking simply in 140 characters or less. Companies can share new developments regarding their products and services with short and striking messages via Twitter with their followers. Research analyzing the Twitter usage of the Fortune 50 companies found out that 85% of those firms use Twitter to distribute news, 30% use Twitter for marketing and promotions, 19% use Twitter for customer service and 11% use Twitter for human resources (Case and King, 2011, p. 99). Clearly Fortune 50 companies see Twitter as an instrument to release news, to build relationships with their customers and to hire new employees. Also, companies can search what is said about them by various Twitter users through hashtags. This way, they intervene when negative comments are left by unsatisfied consumers and can take action to protect their online reputation.

Social networking sites are defined as web-based services that allow individuals to create public or semi-public profiles within a system, to show a list of other users with whom they share a connection.
(Boyd and Ellison, 2008, p. 211) and to share the latest developments in their lives with their connections. Social networking sites consisting of features such as a personal profile, a friends list, a messenger, news feeds and photo albums help people sharing the same interests to connect with each other regardless of geographical boundaries. Among them, Facebook is the most popular in terms of the number of users. Facebook, the world’s leading social networking site, reached 890 million average users daily according to 2014 statistics (Facebook Newsroom, 2015) and Facebook Turkish Marketing Manager Fırat Dirik said that 94% of the online population in Turkey use Facebook actively (Kaytmaz, 2014). As people are highly active on Facebook in Turkey, it is a platform that excites Turkish marketers aiming to increase their companies’ performance in the market.

2.2 Facebook marketing and corporate communication on Facebook

By using Facebook brand fan pages as a marketing tool, companies can engage in brand building activities seven days a week and 24 hours a day. Facebook marketing is not limited to business hours and it is not interrupted by holidays. Companies can promote their new products and services, highlight their products’ different features, initiate viral marketing, reach larger audiences and increase brand awareness on Facebook. Moreover, companies can efficiently communicate with their existing and potential customers on Facebook without getting the help of big media companies. Therefore, they do not need to commit as large a big budget for traditional advertisements. Facebook helps companies to reduce their cost of communication as it helps them to connect with more people in a shorter period of time compared to face to face meetings, phone calls and e-mails (Luke, 2009, p.18). Also, Facebook campaigns prepared with the right techniques can make a high impact on consumers. For instance, Mavi Jeans, a global Turkish fashion brand designing Istanbul t-shirts, started a Facebook campaign in 2011. The Facebook campaign was about a design competition called “İstanbul’a Tasarla - Design Istanbul”. The Facebook campaign was conducted with such success that in three days 500 people participated in the competition and after two weeks the number of participants reached 1500 people (Güçdemir, 2012, s. 152). Also, more than 1 million people voted for the designs on Facebook and after the success of this campaign Mavi Jeans prepared another campaign named “Şehrini Tasarla - Design Your City” (Socialmedia.co, 2012). Such examples make it clear that Facebook campaigns can stimulate many people compared to traditional media tools and bring together the admirers of the brands and the companies in a short period of time.

In general, consumers engage in Facebook brand fan pages in order to show something about their preferences and tastes to their friends. Following brand fan pages on Facebook helps consumers to feel that they belong to a certain group. Consumers can also learn about the discounts offered by companies by tracking the alerts on Facebook brand fan pages. And before making a purchase decision of a certain product, consumers can learn detailed information about its features by putting questions to the Facebook communicators of brands. Recent research found out that consumers who perceive an intimate, personal relationship with a brand’s Facebook communicator are more likely to engage with that brand’s Facebook page (Tsai and Men, 2013, s. 84). If Facebook brand communicators handle the two-way communication between them and consumers well, this relationship helps consumers to build trust in companies and make them loyal customers. Facebook is a significant tool for corporate communication as it helps companies to convey their corporate identities, to make corporate brands visible, and to enable dialog between customers and companies. However, companies must ensure that they strictly follow privacy laws and that private information is not sold to or misused by third parties to the detriment of individuals (Ramsaran-Fowdar and Fowdar, 2013, p. 79). The violation of consumer privacy on Facebook brings a bad reputation to brands.

2.3 Electronic Word of Mouth on Facebook

Companies share control of their brands with their customers on Facebook because by reading the comments of other customers on Facebook brand fan pages, consumers can get an idea about a specific product or service before making a purchase. Consumers can discuss certain products or services with other consumers with its pros and cons on Facebook brand fan pages and can be informed about them quickly. One of the features of Facebook is that it allows electronic word of
mouth and marketing that “goes viral”. Electronic word of mouth, or e-WOM, is defined as any positive or negative statement made by potential, actual or former customers about a product or company which is made available to a multitude of people and institutions via the internet (Thurau et al., 2004, p.39). The start of positive e-WOM on Facebook leads to higher customer engagement on Facebook brand fan pages.

Negative electronic word of mouth is best managed carefully by companies on Facebook brand fan pages. When customers have a technical difficulty or a bad experience with a product or service, they may leave negative comments on Facebook brand fan pages. Recent research examining the communication between companies and their Facebook followers found out that customers not only request information about a company’s offering on Facebook, but also they report incidents and problems about products and services, and make complaints on Facebook fan pages of the brands (Valerio Urena et al. 2015, p. 117).

In order to avoid bringing harm to the online reputation of the companies, Facebook brand communicators should listen to the suggestions of their customers and come up with immediate solutions. Companies should be aware of the fact that customers tend to abandon brands and leave their Facebook brand fan pages if their complaints are ignored. If brands do not live up to the expectations of customers and if their advertisements turn out to be untrue, consumers quit the Facebook fan pages of the brands, as well (Fournier, 2014, s. 30). And it should not be forgotten by companies that crises in social media can spread very fast with the intervention of many people. An unsatisfied customer can lead to the loss of other customers. Complaints should therefore be handled in a short amount of time with the right strategies.

To sum up, Facebook can help companies to establish stronger connections with their customers by one to one contact and this way companies get to know their customers better. Being in touch with their customers can help companies to come up with new ideas for marketing strategies. If Facebook communicators of brands manage to have meaningful conversations with their customers on Facebook, they can change their customers’ attitude in favor of the brands where once there were only costly phone and retail site surveys. By receiving feedback from their customers, companies can learn about their position in the market compared to other firms or products. They can find about their online reputation, and they can design their future products and services with a much better quality to satisfy their customers.

To accomplish this, companies need some tactics in order to see customers engage Facebook brand fan pages continually. For this reason, companies share brand posts with different characteristics and try to draw the attention of their existing and potential customers. Before mentioning the different type of brand posts in the next section, it is useful to explain what “customer engagement” is as it is a fixed term in consumer relations which has been found to far surpass other matters of study and implementation in importance.

2.4. Customer Engagement

Customer engagement is a customer’s behavioural manifestations that have a brand or firm focus, resulting from motivational drivers (van Doorn et al., 2010, p. 254). Customer engagement is about satisfying needs and it is related to gaining various types of benefits such as practical, social, entertainment and economic (Gummerus et al., 2012, p. 860). For instance, while social benefits of joining into brand communities are showing something about one’s preferences and degree of socializing with other consumers, the economic benefits are participating in contests and learning about promotions. When customers like, comment or share the brand posts on Facebook brand fan pages, they show that they are engaged with the brand. The higher the number of likes, comments, and shares a brand post gets, the higher is the customer engagement. Moreover, when consumers like the posts of brands, then the posts will appear on consumers’ Facebook news feed which allow their friends to see the posts, as well. As brand posts will reach many people in this way, brand awareness automatically increases. When consumers comment on posts of brands their names and pictures are
seen beneath the posts and their comments are seen by every consumer that has liked the brands. In this way their feelings and opinions about the brands will be visible to many people which ignites communication among them. This paves the way for the start of electronic word of mouth, or e-WOM. If consumers start e-WOM, then customer engagement will be higher on Facebook brand fan pages, as well.

3. Methodology

3.1. Design of the Research

The design of this research is a case study. According to Yin, a case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009, p. 18). A case study is about the examination of a phenomenon, a person, or a document thoroughly (Kazak, 2001, p. 146) and the researcher gains insights by asking questions such as how and why. In this research, the contemporary phenomenon is the Facebook brand fan pages of miles credit cards in Turkey. However, it is not possible to generalize the results in case studies.

3.2. Hypotheses

Brand posts are significant instruments which enable brands to promote their new products, services, discounts and campaigns with the help of images, videos, texts and links on Facebook. Research analysing 70 global brands’ Facebook fan pages found that companies post brand posts an average of 24 times meaning that their consumers receive a message in their news feeds every day or two in median situations (Parsons, 2011, p.14). The content of brand posts are separated into four categories by Hong (2011): information, entertainment, promotion and social. In the present research, hypotheses are formed to be tested as to which type of brand posts creates more customer engagement.

Information postings aim to provide some kind of information to the user. It is used when a company shares official announcements or releases news about the company. Thus, they are considered as a formal communication to the customers.

**H1:** Informative postings might be more popular than non-informative postings on Facebook pages of miles credit cards in Turkey.

On the other hand, entertainment postings make sure that customers have a good time. These include games, quizzes, and fun videos about products and services. Thus, they are considered as an informal way of communication with the customers.

**H2:** Entertaining postings might be more popular than non-entertaining postings on Facebook pages of miles credit cards in Turkey.

Promotional postings present a contest, promotion, a discount coupon or a campaign code about the products and services to draw the attention of consumers and they direct consumers to get involved in these activities. Thus, they are directly related with the sales efforts of companies.

**H3:** Promotional postings might be more popular than non-promotional postings on Facebook pages of miles credit cards in Turkey.

Social postings encourage consumer participation by asking a question. With social postings, companies aim to receive feedback from consumers. Examples of this category include asking consumers for their opinion on a product or asking them how their day passed. Social postings aim to establish a long-term relationship with customers.
H4: Social postings might be more popular than non-social postings on Facebook pages of miles credit cards in Turkey.

3.3 The sample for the present research

The sample for this research was comprised of Facebook pages of miles credit cards in Turkey. The sample of this research consisted of four miles credit cards which were Miles and Smiles owned by Garanti Bank, Maximiles owned by İş Bankası, Wings Card owned by Akbank and Adios Card owned by YapıKredi Bank. Miles & More offered by Denizbank wasn’t included in this research because it doesn’t have a Turkish Facebook page. Miles & More is originally owned by Lufthansa and Lufthansa has a collaboration in Turkey with Denizbank. Also, Pegasus Card offered by HSBC in Turkey wasn’t included in this research because it doesn’t have a Facebook page either.

3.4 Data Collection and Method

The time frame for this analysis was limited to March 1 - 31, 2015. The data was gathered on April 6, 2015. The data was analyzed by content analysis through SPSS, a statistics program.

4. Findings

The research revealed that the postings which were used the most on Facebook pages of miles credit cards in Turkey are social postings. Out of the 94 postings that were analyzed 45 of them (47.9%) were social postings. Promotional postings almost matched the frequency of social postings. Out of the 94 postings that were analyzed 44 of them (46.8%) were promotional postings. This research thus indicates that marketers of miles credit cards use Facebook for those two main purposes. One of them is to strengthen their relationships with their customers (by using social postings) and the other is to promote their products and campaigns (by using promotional postings).

Table 1: The frequency of brand post types

<table>
<thead>
<tr>
<th>Posts Type</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>1</td>
<td>1.1</td>
</tr>
<tr>
<td>Social</td>
<td>45</td>
<td>47.9</td>
</tr>
<tr>
<td>Entertaining</td>
<td>4</td>
<td>4.3</td>
</tr>
<tr>
<td>Promotional</td>
<td>44</td>
<td>46.8</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>100</td>
</tr>
</tbody>
</table>

The marketers of miles credit cards seldom used entertaining and information postings. Out of the 94 postings that were analyzed only 4 of them (4.3%) were entertaining postings and only 1 of them (1.1%) was information postings. These findings indicate that marketers of miles credit cards do not use Facebook as a channel to disseminate corporate news. And they do not much involve informal communication with their customers by frequent use of entertaining postings.
When the brand post types and the number of likes are compared, it is seen that the highest density of likes is between 1 to 50 likes. Counting all of the brand post types, there were 67 likes between 1 to 50 likes. There were 13 likes between 50 to 100 likes. However, the number of likes diminished precipitously above 100 likes. This finding indicates that Facebook content of miles credit cards most often gets a number of likes between 1 to 50. However, customer engagement happens the most when content receives the highest number of likes. According to these data, there were only 2 likes between 250 to 300 likes and these likes belonged to the social postings. Thus, social postings received the highest number of likes on Facebook pages of miles credit cards in Turkey.

Table 2: The brand post types and the number of likes

<table>
<thead>
<tr>
<th></th>
<th>Between 1-50</th>
<th>Between 51-100</th>
<th>Between 101-150</th>
<th>Between 151-200</th>
<th>Between 201-250</th>
<th>Between 251-300</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>26</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>39</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>13</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>94</td>
</tr>
</tbody>
</table>

After comparing all brand post types and the number of comments, it is clear that the greatest density of comments in the 1 to 25 comments range. Considering all of the brand post types, there were 43 comments in the 1 to 25 comments range. The number of comments diminished quickly above 25 indicating that a Facebook posting of miles credit cards mainly gets between 1 to 25 comments or no comments at all (44), few posts getting 26 to 50 showing that nearly half of the brand posts did not receive any comment. This is a significant finding as it demonstrates that marketers of miles credit cards are in need of some tactics to encourage their Facebook followers to make comments on the posts. Customer engagement happens the most when a brand post receives the highest number of comments. The chart shows that there were only 2 comments above 50 and these comments belonged to the social postings. Overall, social postings received the highest number of comments on Facebook pages of miles credit cards in Turkey.

Table 3: The brand post types and the number of comments

<table>
<thead>
<tr>
<th></th>
<th>Between 1-25</th>
<th>Between 26-50</th>
<th>Above 50</th>
<th>None</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>23</td>
<td>5</td>
<td>2</td>
<td>15</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>27</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>5</td>
<td>2</td>
<td>44</td>
<td>94</td>
</tr>
</tbody>
</table>
Table 4: The brand post types and the number of shares

<table>
<thead>
<tr>
<th></th>
<th>Between 1-5</th>
<th>Between 6 - 15</th>
<th>Between 12 - 20</th>
<th>None</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>19</td>
<td>1</td>
<td>1</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>37</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>2</td>
<td>1</td>
<td>63</td>
<td>94</td>
</tr>
</tbody>
</table>

When comparing the brand post types and the number of shares, it is evident that the density of shares is between 1 to 5 shares. There were 28 shares between 1 to 5 shares considering all of the brand post types, 19 of them belonging to social postings. The number of shares diminished considerably above 5 and there were 63 brand posts which received no shares. Thus, it is possible to say that most of the postings of miles credit cards do not get any shares. Customer engagement happens the most when content receives the highest number of shares. The chart shows that there was only 1 share between 15 to 20 and this share belonged to the social posting. In all, social postings received the highest number of shares on Facebook pages of miles credit cards.
Table 5: The brand post type creating the highest customer engagement

<table>
<thead>
<tr>
<th>Brand post types</th>
<th>The highest number of likes</th>
<th>The highest number of comments</th>
<th>The highest number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Between 250-300</td>
<td>Above 50</td>
<td>Between 15-20</td>
</tr>
<tr>
<td>Information</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Entertaining</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Promotional</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

When the information in Tables 2, 3, and 4 are combined in Table 5, it is seen that customer engagement is the highest in social postings. One social posting managed to receive the highest number of likes, the highest number of comments and the highest number of shares. This social posting received a number of likes between 250 and 300, a number of comments above 50 and a number of shares between 15 to 20. Thus, this chart’s answers to the research question of this study: Social postings function best and social postings are the most popular on Facebook pages of miles credit cards in Turkey as they create the highest customer engagement. Hence, hypothesis number 4 is confirmed while hypotheses number 1, number 2 and number 3 are refuted.

Table 6: The brand post types and the time of the week

<table>
<thead>
<tr>
<th></th>
<th>Weekdays</th>
<th>Weekends</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>34</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>33</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>23</td>
<td>94</td>
</tr>
</tbody>
</table>

Marketers of miles credit cards in Turkey mostly share postings on weekdays. Where 71 postings were shared on weekdays, 23 postings were shared on weekends. The number of postings shared on weekdays is nearly the triple of the number of postings shared on weekend. While 34 of the social postings were shared on weekdays, only 11 of them were shared on weekends. While 33 of the promotional postings were shared on weekdays, only 11 of them were shared on weekends. While 4 entertaining postings were shared on weekdays, only one information posting was shared on weekends. Clearly marketers of miles credit cards in Turkey share more brand posts on weekdays.
Table 7: The brand post types - Multimedia

<table>
<thead>
<tr>
<th></th>
<th>Image and text</th>
<th>Video and text</th>
<th>Image, text and link</th>
<th>Video, text and link</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>32</td>
<td>2</td>
<td>11</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>7</td>
<td>1</td>
<td>34</td>
<td>2</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>4</td>
<td>47</td>
<td>2</td>
<td>94</td>
</tr>
</tbody>
</table>

Investigating which multimedia instruments that brand post types contain, it is seen that they mostly include an image, a text and a link together. Out of the 94 postings shared, 47 were of this type. Within all types of brand posts, mostly promotional postings used an image, a text, and a link together. Of this group of 94, 34 promotional postings used an image, a text, and link together. Out of the 94 postings shared, 41 of them contained an image and a text. Within all types of brand posts, mostly social postings used an image and text together. Using a video and a text was not used much by marketers. Its usage was very low. Only 4 of them were used. A video, text, and a link were used the least within all postings. Only 2 of them were used and they belonged to the promotional posting category. Thus, it seems marketers of miles credit cards in Turkey frequently use an image, a text, and a link together try to capture all senses of their customers. In this way, they aim to draw their customers’ attention more to the postings.
Table 8: The brand post types and the time of day

<table>
<thead>
<tr>
<th></th>
<th>Morning</th>
<th>Afternoon</th>
<th>Evening</th>
<th>Night</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>28</td>
<td>1</td>
<td>1</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>1</td>
<td>1</td>
<td>31</td>
<td>94</td>
</tr>
</tbody>
</table>

Marketers of miles credit cards in Turkey prefer to share their postings mostly in the mornings and night and rarely post in the afternoon or evening. Out of the 94 postings shared 61 of them were shared in the morning and 31 one of them were shared at night. One of them was shared in the afternoon and one of them was shared in the evening. Probably, marketers of miles credit cards in Turkey think that the best time to share the postings is in the night and morning as their customers can then see the postings all day long.

Table 9: The brand post types and the length of the posts

<table>
<thead>
<tr>
<th></th>
<th>1 – 15 words</th>
<th>15 – 30 words</th>
<th>Above 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Social</td>
<td>35</td>
<td>10</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Entertaining</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Promotional</td>
<td>27</td>
<td>13</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>23</td>
<td>4</td>
<td>94</td>
</tr>
</tbody>
</table>

Marketers of miles credit cards in Turkey mostly prepare postings that are 1 to 15 words long. Out of the 94 postings, 67 of them were 1 to 15 words long. Reaching customers with short but striking messages is a tactic that is obviously used by marketers of miles credit cards.

5. Conclusion and Discussion

Marketers of miles credit cards in Turkey use Facebook brand fan pages chiefly to socialize with their customers and to promote their products and services. By using social postings they ask questions to their customers about their opinions on particular issues and they try to receive feedback from their customers. Mostly they ask questions concerning popular touristic destinations such as to which...
countries these destinations belong or whether their customers have been to these countries before. By using social postings, they remind their customers about the presence of popular touristic destinations, learn about their customers’ interests in these destinations via feedback and implicitly motivate them to plan holidays by using miles credit cards. By using promotional postings, marketers of miles credit cards in Turkey promote their new products and services. They let their customers know about their new campaigns such as special discounts or advantages installments offered with the miles credit cards. Marketers of miles credit cards in Turkey do not use Facebook brand fan pages as a channel to disseminate corporate news. They prefer using corporate websites for that purpose. They also rarely use entertaining postings to amuse their customers. They try to keep the communication between the banks and their customers more serious.

On average, a brand post receives a number of likes between 1 to 50 likes, a number of comments between 1 to 25 comments and a number of shares between 1 to 5 shares on Facebook brand fan pages of miles credit cards in Turkey. Within the four different brand post types, social postings received the highest engagement rate on Facebook brand fan pages of miles credit cards in Turkey. One social posting got a number of likes between 200 to 250, a number of comments above 50 and a number of shares between 15 to 20. As they create the highest customer engagement, social postings function best and social postings are the most popular on Facebook pages of miles credit cards in Turkey.

Marketers of miles credit cards in Turkey mostly share postings in the mornings and on weekdays. When brand posts are shared in the mornings, the customers have a chance to see the brand posts throughout the day as they log in to their Facebook accounts, sharing brand posts in the mornings helping to increase customer engagement. Marketers of miles credit cards in Turkey prepare brand posts including an image, a text, and a link together most of the time brand posts that are 1 to 15 words long. They try to draw attention to their messages briefly without monopolising the attention of their customers and without boring their customers narratives.

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Evaluation and Investigation into the Potential Benefits of e-Procurement Adoption in Saudi Arabian SMEs

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Abstract

This paper investigates the potential benefits of e-procurement adoption in Saudi Arabian SMEs. The study’s theoretical foundation is built on Gunasekaran and Ngai’s (2009) model of e-procurement adoption, applied to the south-east coast of the USA. It includes an extensive literature review on e-procurement adoption to investigate further factors in the benefits category. The study uses both qualitative and quantitative tools to collect data from four selected Saudi Arabian SMEs to identify potential benefits in relation to e-procurement adoption. It also investigates the relative importance of various perceived benefit factors in Saudi Arabian SMEs using the Analytic Hierarchy Process.

Keywords: e-procurement adoption, purchasing, benefits, SME

1. Introduction

E-procurement is an efficient methodology that companies can use to speed up their transaction, payment, shipment, delivery and storage procedures. It replaces the manual way of doing things with an electronic approach. It helps companies to reduce their inventory and meet customer needs by forecasting for the future based on existing data from the system. The main aims of e-procurement are to reduce time and costs and improve budgetary control, reduce management errors, strengthen the seller - buyer relationship, reduce prices, increase staff utilisation and productivity and improve information management (Hsue and Chen, 2015). SMEs hope that the adoption of e-procurement will improve efficiency and reduce costs. When an organisation strengthens its procurement tools, it can attain better contracts, customer service, procurement efficiency and total quality. As a result, improved supplier relationships, higher customer satisfaction, better quality and lower costs can be achieved, leading to better overall production and promotion in the industry (Eei et al, 2012). Furthermore, adoption leads to the acquisition of timely information through stronger inter-organisational efficiency and efficient communication channels (Turban et al, 2015). More precisely, e-procurement adoption facilitates the comparison of prices from various suppliers, selection of the inventory and making orders in time to meet customers’ needs. Some other benefits are improvement in procurement and operational efficiency, better utilisation of staff and reducing contract-oriented procurement. In this way, the goal of efficient procurement (reduced cost and time) and operational effectiveness can be achieved.
2. Academic theory and a theoretical framework

E-procurement has several potential benefits that can help SMEs to meet the needs of modern day business in an efficient and effective manner (Narayanasamy et al, 2008). E-procurement adoption in SMEs is, however, a very challenging task, because they have limited human and monetary resources. Mohammad (2010) has noted that lack of awareness about the potential benefits of e-procurement and its effect on organisations’ future performance are key reasons for SMEs’ reluctance to adopt e-procurement. A research model developed by Gunasekaran and Ngai (2009) in the USA has been adopted in the present study to test the factors affecting e-procurement adoption. Only benefit factors are mentioned here; the remaining factors will be evaluated in separate studies. Figure 1 shows the work flow upon adoption.

Figure 1: Work flow in adoption of e-procurement in SMEs. Source: Gunasekaran and Ngai 2009

2.2 Significance of Study and Research Contribution

The contribution of this research is to analyse the potential benefits of e-procurement adoption in selected Saudi Arabian SMEs and evaluate their relative priority and importance. The study will provide a better perspective for the owners of SMEs in Saudi Arabia by identifying the benefits that they can achieve through e-procurement adoption. The study is significant because no previous study has engaged this research topic and because it extends the benefit factors from Gunasekaran and Ngai’s (2009) model to incorporate new factors identified in selected Saudi Arabian SMEs.

2.3 Literature Review

The assessment or measurement of potential benefits that business achieve through the use of new IT tools act as the main attraction encouraging businesses to invest in them. E-procurement is one such tool that businesses will invest in once they understand the benefits it will achieve in the future. Businesses conduct deep studies before adopting such processes so that they have a clear understanding of the best possible way of implementing the process to achieve maximum advantage from it. Panayiotou et al (2004) and Ronchi et al (2010) conducted notable research on the potential benefits of e-procurement. Panayiotou et al (2004) conducted a study on governmental firms in Greece and categorised the benefits of e-procurement into two main types of benefits, namely tangible and intangible. Tangible benefits are those benefits that can be easily measured or quantified such as time and cost. Tangible benefits have a direct impact on business in the form of improved efficiency.
of business processes, thereby allowing businesses to generate better revenue. Intangible benefits contrast in being those that cannot be easily quantified but have a great impact on the future of the organisation such as better integration of business processes, improved customer satisfaction and improved relationships with other firms. Ronchi et al (2010) also divide the benefits of e-procurement into two categories, which they call organisational benefits and financial benefits. Organisational benefits are qualitative in nature, while financial benefits are those that can be easily measured and realised in pure financial terms. These categories are easily compared to the intangible and tangible benefits of Panayiotou et al (2004). The following sections examine these benefits in more detail.

2.4 Tangible benefits

These are financial benefits that can be easily realised and measured by the business, such as cost and time.

Cost savings

Panayiotou et al (2004), in their research on cost reduction, noted the reduction in supply cost and decrease in the cost of tendering. They found that there was a 15% reduction in supply-related costs and a 20% reduction in the cost of tendering, as e-tendering is very cheap compared to the normal tendering process. They also noted that there were reductions in administrative costs and warehousing costs; however, they did not give any values for the reduction in those costs. Similarly, Ronchi et al (2010) measured and identified four different types of savings from the adoption of e-procurement: 1) lead time order cost, 2) administrative cost and 3) cost of capital and 4) ___. Ronchi et al’s (2010) study was very comprehensive and they were able to successfully predict the costs of as many as six different firms in five different industries. Through their research, Ronchi et al (2010) found a 7.6% reduction in administrative cost, a 72% reduction in opportunity cost of capital and an 88.9% reduction in lead time order cost. From the research, it is evident that a significant decline in processing as well as purchasing cost of items is realised by companies after implementing e-procurement. Through integration of purchases, the price paid will be based on threshold volume and not on individual purchases, which will reduce individual items to a greater extent. According to research conducted by the NAPM (National Association of Purchase Management), in the absence of a proper contract and integrated purchases, a company pays on average 15-25% more for items than when the purchase is made via a contract. E-procurement allows companies to shortlist the number of suppliers, so that better terms of purchase can be negotiated and multiple orders can be shipped in a single order, thereby reducing the cost. Limiting vendors or suppliers to fewer purchasers also increases reliability and overall expenses. According to recent research conducted by an Aberdeen group, in the absence of a proper contract, 30-40% leakage has been recorded. Cost can be significantly reduced when end users make a purchasing order of their own choice from an approved vendor after comparing it with other similar vendors in the industry. Electronic routing information after a purchasing decision has been made is fast and leads to internal reduction in cost. Similarly, the chances of making mistakes in e-procurement are much smaller as compared to manual procurement, thereby increasing overall processing efficiency.

Time saving

Ronchi et al (2010) and Panayiotou (2004) found savings in time. The former was successful in converting lead time into pure financial figures, while the latter merely mentioned the raw time. Their figures were for open tendering activities in terms of time were 39.7% and 2.7 months respectively, while for restricted tendering their calculations showed 39.7% and 2.7 months respectively.

Cost and time savings in previous studies

Existing literature on e-procurement has revealed that this process makes a great contribution to the reduction of total purchasing costs. Croom (2000), Mishra et al (2007) and Kameshwaren et al (2007) note that this decline in cost reduces overall cost from requisition to payment. E-procurement will
substantially reduce the cost of procurement when it is designed in accordance with the requirements of the company’s procurement process. According to Lancioni et al (2000) and Yen and Ng (2003), these changes must be made clear and precise and implemented in the design process of e-procurement in Saudi Arabia. Ng (2003) investigated the performance of a procurement system before and after the implementation of e-procurement and found that the results supported the existing literature, which states that the reduction in cost is quite substantial and the overall efficiency is greatly increased. The investigation also found substantial reduction in errors at the time of procuring, reducing the supplier’s inventory costs as well as marketing costs. In general, the existing literature provides overwhelming evidence that automated e-procurement or even semi-automated e-procurement greatly decreases the overall cost of procurement from acquisition straight through to payment. Whetaley (2003) and Quale (2005) also state that although reduction in cost has been materialised by many researchers, it has failed to reach the forecasts set by some companies. Notably, neither Gunasekaran and Ngai (2009) in their study of the south coast region of the US nor Narayanasamy et al (2008) give much priority to these two factors. The reason could be because the initial implementation of the process is so costly that the actual benefits of time and cost savings are cancelled out. As mentioned above, SMEs have low financial resources or capital and therefore cost and time (tangible benefits) are given less priority over non-tangible benefits. Their research, however, found the following non-financial or intangible benefits:

- Better consistency and less duplication
- Less bureaucracy
- Less paperwork
- Simpler ordering
- Standardisation of processes as well as clarity and transparency
- Ensured compliance with less errors
- Online reporting facility
- Information can be easily and efficiently accessed
- The procurement process can be potentially decentralised
- Purchasing can be done at any time
- A larger pool of potential suppliers from which the organisation can choose
- Communication with suppliers and making partnership with them will be easy

Expansion to wider consumer market

The current economic climate and globalisation have changed the business arena all over the world. In addition to outsourcing, which has created great challenges, particularly for SMEs seeking to establish networks with other firms globally (Dutta and Evrad, 1999). The changes and expansion of trading boundaries have significantly affected SMEs’ efforts to expand their market. Technology can help SMEs to establish networks with firms internationally and benefit from the wider market and can effectively overcome the challenges of competition (Dutt and Evrad, 1999).

2.5 Intangible benefits

Most people and businesses are interested in financial or tangible benefits such as time and cost savings but in a business scenario, quality is considered extremely important and benefits business more in the long run. Because it is difficult to measure quality in pure financial terms, it is sometimes not given the consideration it requires. ICT systems, including e-procurement, are purely qualitative in nature and must be examined from that perspective, unlike other business processes. Although both Ronchi et al (2010) and Panayiotou (2004) mentioned those intangible or non-financial benefits, they were not able to describe them fully and their accounts were merely generalised in nature.

Market relationship
One of the main elements of a business process is strong bonds with both customers and suppliers. Every business aims to strengthen its bonds, because they are key to successful business operations. This is particularly significant for SMEs, as they are mostly localised and have customers and suppliers who are both regular and local. Narayanasamy et al (2008) found that the main goal of Malaysian SMEs from the use of the internet and other ICT tools is to achieve better access to knowledge and information and improve brand building (advertising and marketing) activities so that new business opportunities can be created, while Gunasekra et al (2009), in their research in the south coast region of the USA, found that the main benefits that SMEs wish to achieve from e-procurement and the application of other ICT tools is increasing their pool of consumers and strengthening their bonds with potential suppliers.

**Improvements in process and organisational operations**

Neither Gunasekaran and Ngai (2008) in Hong Kong, Narayanasamy et al (2008) in Malaysia nor Gunasekaran and Ngai (2009) in the south coast region of the US give much attention to organisational and process improvements. However, they did find benefits such as “released from normal working hours” (Narayanasamy et al, 2008) and “better utilization of staff” as some of the key benefits the organisation can get from e-procurement adoption. This is not enough and more research on organisational and process improvement is required in future academic knowledge of e-procurement (Gunasekra et al, 2009).

**Significance of these benefits for SMEs**

The above mentioned benefits are very significant and relevant to the operations of SMEs. Minor changes might be needed as SMEs are traditionally considered as having smaller human resources and financial capital. The surveys conducted by Gunasekaran and Ngai (2008) in Hong Kong, Narayanasamy et al. (2008) in Malaysia and Gunasekaran and Ngai (2009) in the south coast region of the US all provide great insight into the perceived or potential benefits of e-procurement in SMEs. The following paragraphs discuss how the above mentioned benefits have been identified in their research.
3. Methodology and research design

A detailed study of previous e-procurement literature has allowed us to select a suitable model for the adoption of e-procurement within Saudi Arabian SMEs. The model selected provides a strong theoretical foundation for research into the factors affecting the adoption of e-procurement. The methodology is comprised of the following elements:

- A research design that exhibits the flow of the selected process.
- A research strategy which explains the different methods and techniques used for this research.
- Methods used for collection and analysis of data.

3.1 Research design

3.1.1 Nature of the Study

The study was carried out using both qualitative and quantitative research design. An exploratory qualitative study was carried out using interviews while the quantitative study was carried out using a questionnaire distributed to all four selected SMEs’ staff. The respondents were asked to scale the benefits factor in relation to its importance in their organisation.
3.1.2 Quantitative Data Collection

Qualitative data was collected across four selected SMEs from a total of thirty-one respondents and was analysed to identify factors that are important for the adoption of e-procurement.

3.1.3 Qualitative Data Collection

Qualitative data was collected across four selected SMEs from a total of thirty-one respondents and was analysed using AHP to identify relative importance of different factors that are important for the adoption of e-procurement.

3.2 Coding of Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmed Bemarouf (Saudi Suzuki)</td>
<td>C1</td>
</tr>
<tr>
<td>Khatib &amp; Alami</td>
<td>C2</td>
</tr>
<tr>
<td>AL-Maram</td>
<td>C3</td>
</tr>
<tr>
<td>Raw-AL-Mazon</td>
<td>C4</td>
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3.2.1 C1, Ahmed Bemarouf (Saudi Suzuki)

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<tr>
<th>Position</th>
<th>Position code</th>
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</thead>
<tbody>
<tr>
<td>Head of Company</td>
<td>HC1</td>
</tr>
<tr>
<td>Director of Accounting Department</td>
<td>DAC1</td>
</tr>
<tr>
<td>Member of Account Department</td>
<td>MAC1</td>
</tr>
<tr>
<td>Head Procurement Department</td>
<td>HPC1</td>
</tr>
<tr>
<td>Member of procurement department</td>
<td>MPC1</td>
</tr>
<tr>
<td>Staff of Marketing department</td>
<td>SMC1</td>
</tr>
<tr>
<td>Head of the IT department</td>
<td>HITC1</td>
</tr>
<tr>
<td>Staff of IT Department</td>
<td>S1ITC1</td>
</tr>
<tr>
<td>Staff of IT Department</td>
<td>S2ITC1</td>
</tr>
<tr>
<td>Head of HR Department</td>
<td>HHRC1</td>
</tr>
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3.2.2, C2 Khatib & Alami

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</tr>
<tr>
<td>Head of procurement department</td>
<td>HPC2</td>
</tr>
<tr>
<td>Staff of procurement department</td>
<td>SPC2</td>
</tr>
<tr>
<td>Head of the finance department</td>
<td>HFC2</td>
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<td>Director of HR department</td>
<td>DHRC2</td>
</tr>
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<td>HMC2</td>
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<tr>
<td>Staff of Marketing department</td>
<td>SMC2</td>
</tr>
<tr>
<td>Head of the IT department</td>
<td>HITC2</td>
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<td>S1ITC2</td>
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<tr>
<td>Staff of IT Department</td>
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3.3.3 C3, AL Maram

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<td>PMC3</td>
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<tr>
<td>Head of marketing</td>
<td>HMC3</td>
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<td>Account Manager</td>
<td>AMC3</td>
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<tr>
<td>Director of HR</td>
<td>DHRC3</td>
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<td>Sales Manager</td>
<td>SMC3</td>
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3.3.4 C4, Raw Al Mazon

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<td>PSC4</td>
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<td>Marketing staff</td>
<td>MSC4</td>
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<tr>
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</tr>
<tr>
<td>Sales Manager</td>
<td>SMC4</td>
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</tbody>
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4. Discussion and Findings

4.1 Quantitative data findings

The analysis of quantitative and qualitative data reveals that the selected Saudi Arabian SMEs perceive nine key benefits from the adoption of e-procurement. These benefits were

- cost effectiveness
- increased efficiency and utilisation of staff
- business expansion
- less disruption in supply chain
- time saving
- strengthened relationship with suppliers and partners
- less paperwork (and thus environmental benefits)
- increased customer loyalty and trust and
- better transparency

Benefits found with Selected SMEs

<table>
<thead>
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<th>Benefits</th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
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</thead>
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<td>Cost effectiveness</td>
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<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Time saving</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Increased staff efficiency and utilisation</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Business expansion to wider supplier base</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Reduced disruptions in supply chain</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Improved relationship with suppliers and partners</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Less paperwork: environmentally friendly</td>
<td>√</td>
<td>√</td>
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<td>√</td>
</tr>
<tr>
<td>Improved customers loyalty and trust</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased transparency amongst various departments</td>
<td>√</td>
<td>√</td>
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</tr>
</tbody>
</table>
4.1.1 Cost effectiveness

Many respondents talked about the cost effectiveness of e-procurement solutions. The reason for the cost effectiveness of e-procurement was mentioned by the head of the procurement department (HPC2) in C2:

“E-procurement is a valuable tool and can decrease clerical work to a great extent, thereby reducing the overhead of writing, updating and maintaining papers.”

This is in line with many of the findings in the literature, such as Bertot et al (2010), who state that e-procurement provides openness and transparency, eradicates corruption, and thus eliminates a lot of overheads and hidden costs. Teo et al (2009) and Tau (2010) both stated that e-procurement adoption can significantly reduce the cost because it allows business to select the best quality product or service, purchase in larger volumes, reduce paperwork to a great extent, improve delivery and reduce their administrative costs. This factor was also mentioned by Gunasekaran and Ngai (2009) in their findings.

4.1.2 Time saving

Time, along with the cost of products, is a key factor for business. The adage “A stitch in time saves nine” holds true for business. Time and cost were the two factors mentioned by almost all participants in the present study. The reduction in time achieved through the use of e-procurement as opposed to manual procurement was explained by many interviewees, but as an example, the head of C1 (HC1) described it as follows:

“In a manual system, when you have to purchase an item, the procurement staff search through various different catalogues and visit many different websites for the product needed. After they decide on a product, the procurement staffs fill out the purchasing forms and submit it for approval to the procurement head. The process takes a lot of people and takes weeks for the entire process to be completed.”

Time is also one of the most widely discussed factors in e-procurement, and the majority of researchers, such as Samuel and Spalanzani (2009) and Parida and Sophonthummapharn (2010) believe that with e-procurement, things happen quickly because information can be exchanged almost in real time and everyone on both the SME and the supplier side gets an update, as well as customers if needed. Baghalian et al (2013) stated that in business, time is very important, stating that if an order placed for Christmas can’t be delivered before Christmas Day, it will be of no use and the customer will be lost. In short, it can be deduced that time is one of the most important factors for any business and its customers and has a great impact on business operations.

4.1.3 Increased staff efficiency and utilisation

Further, the analysis reveals that staff efficiency and utilisation are greatly boosted by the adoption of e-procurement. Referring to the reason for this, the head of C1 (HC1) stated that:

“E-procurement speeds up the process by making the communication quicker and also allows people from various departments to work in parallel instead of sitting idle and waiting for them to finish their work”.

This is also highlighted by many researchers in their findings, such as Choi (2014), who found a positive relationship between staff utilisation and e-procurement adoption. Dooley and Purchase (2009) and Ronchi et al (2010) also found a positive relationship between staff utilisation and e-procurement adoption by SMEs. Xu (2014) and Cauyan (2010) further clarified the way e-procurement increases staff utilisation and efficiency by stating that it allows them to work from anywhere and do several task at the same time (multitasking) and reduces travelling and fuel usage by staff, as they can work from home.
4.1.4 Business expansion to wider supplier base

Another important factor revealed by the analysis is the perceived expansion of business as a result of e-procurement adoption. The majority of respondents mentioned this factor in their interview statements and stated that this expansion can be a source of competitive advantage. For example, the head of C1 (HC1) described it as follows:

Traditional businesses have a very limited local supplier base while e-procurement allows businesses to have a wider supplier base and can thus choose a supplier with the best product or service at the lowest possible price. This allows the business to increase its profit margin and also to offer product to customers at a lower price, thereby obtaining competitive advantage over other SMEs.

This is in line with the findings of Change et al (2010), who stated that e-procurement allows companies to find new sellers who are selling the same product but of a better quality and sometimes the same quality with a reduced price, thereby giving the company a competitive edge. Renna and Argoneto (2010) also found that e-procurement increases business opportunities for SMEs, allowing them to escape the monopoly of local suppliers and find better deals elsewhere. Walker and Brammer (2012) and Pereira (2009), too, mentioned that e-procurement allows businesses to expand their supplier and customer base, thereby providing a competitive edge.

4.1.5 Reduced disruptions in supply chain

It was also found that SMEs can benefit from a reduction in supply chain disruption because it will not take hours to receive an update on a product and then further to inform all the departments; rather, this happens in real time and all departments receive updates at the same time. The reason for this reduction in delay was mentioned by a few interviewees in their statements; for example, the head of procurement in C2 (HPC2) explained it in the following words:

E-procurement allows businesses to check their product and service orders and their status 24/7 and eradicate any delays in communication that otherwise happen in traditional procurement and thus increases business transaction speed and ultimately leads to better customer service.

This factor is often mentioned in the literature on e-procurement and researchers note that with e-procurement, firms operate in a more efficient manner. For example, Smith (2009) and Baghalian et al (2013) both view e-procurement as an efficient tool that works in real time and in a transparent manner, with all stakeholders receiving updates about problems so that prompt action can be taken. Chong et al (2009) state that e-procurement allows all stakeholders to become synchronised and connected in a single process, making information flow effortless, smoother and more transparent and enabling prompt action if an order needs to be changed or to switch to another supplier if it cannot be supplied within a set time, or otherwise to ask the customer if he can wait a bit longer. Ngai et al (2009) state that disruption in the supply chain has severe consequences, such as losing customers and reputation, and also affects the relationship between the business and its suppliers. E-procurement makes things more transparent and factors causing disruption can be dealt with immediately, as it operates 24/7.

4.2 Qualitative findings

4.2.1 Improved relationship with suppliers and partners

The analysis further revealed that e-procurement can improve the business’s relationship with its suppliers and partners though only a few interview participants mentioned this aspect, possibly because this is not seen as one of the most direct benefits for the firm (Teo et al, 2009; Chau and Hu, 2001). Some of the characteristics of e-procurement that lead to improvement in relationships with suppliers were mentioned in an interview statement by the head of C1 (HC1) who was quoted as follows:
E-procurement provides a great opportunity for the SMEs to improve relationships with suppliers by making sure that there is greater transparency and visibility and less errors or delay in order of products which further make the business work with the same accuracy with its customers and other partners and overall business trust and integrity increases.

There is a positive response to the improvement in relationship between business and its suppliers. Dooly et al (2009) stated that in business, reputation is very important, and it is built over a long period of time, so neither the business nor the supplier would want to lose it. They further stated that e-procurement adds more accountability, transparency and visibility to the procurement process and minimises misunderstandings, thus strengthening the relationship. Chong et al (2009) and Cauyan (2010) also found that e-procurement brings collaboration and integration in the procurement process, where a business has reasons to stay with a supplier and the relationship becomes stronger. Less paperwork: more environmentally friendly

The analysis revealed that e-procurement reduces the paperwork, which has a dual impact, i.e. reduction in cost and environmentally friendly (less cutting of trees). For example, the head of C1 (HC1) was quoted as follows: “E-procurement will facilitate a paperless office where all communication will take place in digital format and information will be saved in digital form on the computer for later use.”

In the literature, the cost factor associated with reduced paperwork is widely discussed. For example, Panayiotou et al (2004), Albrecht et al (2005), Engstrom (2009), Dawes (2008) and Johnson (2011) all mention that reduced paper and administrative work helps organisations to overcome overhead costs and are highly beneficial. However, hardly anyone has mentioned the environmental impact of reduced paperwork, which is thus a new factor found in the selected Saudi Arabian SMEs. For example, Brammer (2012) who established a relationship between e-procurement and CSR (Corporate Social Responsibility).

4.2.2. Improved customer loyalty and trust

The customer is the most important entity for a business and all innovations in business are aimed at better customer service (Walsh et al, 2009). The present study has found that customer loyalty to SMEs and trust in their products can be strengthened through the adoption of e-procurement and this aspect was mentioned by the majority of the interview participants. For example, the head of C2 (HC2) stated that:

Customer service is the biggest source of competitive advantage in the current fast paced business world where many organisations offer similar products at almost the same prices. Ensuring that customers receive their products on time makes them happy and loyal: e-procurement makes this possible because it allows business to acquire the product quickly and then send it quickly to the customers, too.

These findings are in line with the findings of much research in the literature on e-procurement adoption. For example, Chang and Wang (2010) found that customers, businesses and suppliers are a long physical distance apart and communication takes time, but e-procurement puts them in one virtual world where they can communicate instantly and action is taken quickly, leading to customer satisfaction and loyalty. Horppu et al (2008) and Andreu et al (2010) have stated that e-procurement facilitates trust via perceived value in a stronger relationship obtained through positive two-way communication. Johnson (2011) has stated that e-procurement not only identifies customer needs through feedback but also translates those needs into specifications, assessment of satisfaction and delivery of goods and services. Chong et al (2009) and Baghalian (2013) believe that the value added advantage of e-procurement is its substantial impact on customer satisfaction, in addition to many other advantages. Walker (2012) reports similar findings but he particularly mentions data mining as a value added advantage for predicting customer needs.
4.2.3 Increased transparency amongst various departments

The analysis of data revealed that e-procurement is perceived to increase transparency in business and improve co-operation among various departments in the SMEs. Many interview participants mentioned this factor in their responses; for example, the head of C2 (HC2) stated that: “Transparency and visibility of actions will allow departments to see the status of an activity by another department and they can quickly communicate digitally to make it faster and provide and ask for help and co-operation if needed, too.”

The finding of this factor is backed by the literature on e-procurement and many researchers have associated it with the adoption of e-procurement. Bertot et al (2010) and Tai et al (2010) understand that e-procurement enhances transparency and discourages corrupt business practices. Dooley et al (2009) have also found that transparency in supply management is pivotal in improving relationships amongst employees from various departments and also between suppliers and customers. Carlo Bertot et al (2010) and Shim and Eom (2008) found that e-procurement allows executives to monitor and track activities and make people accountable in the business. Albrecht et al (2005) have found that e-procurement is a promising tool in establishing transparency and accountability in the business.

5. Quantitative data findings particulars

The second objective of the present research was to evaluate the benefits and barriers of e-procurement. This section examines the benefits based on the responses noted. Adapted from Gunasekaran and Ngai (2009), Teo et al (2009), Trkman and McCormack (2010) and broader e-procurement literature, the research included fourteen perceived benefits which were rated from 1-9. The analytic hierarchy process (AHP) analysis of the factors reveals that SMEs realised the benefits of e-procurement as shown in Tables 1 to 4. The average rating (in Table 5 below) indicates that some benefits were realised to a much greater extent than others. The highest realised benefit in Saudi Arabian SMEs was “reduction in transactional cost” with an average rating of 13.24% (1.3), which is a basic level of realisation. “Help to improve supply chain management” (12.28%) and “reduction in processing time” (10.85%) were the other benefits realised in Saudi Arabian SMEs. The other benefits were realised to a lesser extent or were not realised, as depicted by the analysis in Table 5. Although these SMEs have not yet implemented e-procurement, this realisation is an encouraging sign, in keeping with Gunasekaran and Ngai (2009) and Eei et al (2012), and might act as a motivator for the future adoption of e-procurement in Saudi Arabian SMEs. The participants’ responses to the question of what is the most important benefit an SME can get as a result of e-procurement adoption were analysed and the results are shown in the following tables.
### 5.1 Company C1

<table>
<thead>
<tr>
<th>Participants</th>
<th>Better utilization of staff</th>
<th>Efficiencies increment</th>
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<th>Improve relationships with supplier</th>
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### 5.2 Company C2

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The analysis of data obtained from C2 revealed that reduction in transactional cost is given the highest preference, and the SME expects that e-procurement adoption will reduce transactional cost. The second most important factor in the benefit category for the SME is the processing time. The SME expects that e-procurement adoption will allow it to process large numbers of transactions in a limited time and thus high business efficiency can be achieved. Improvement in supply chain management is ranked third, while improvement in relationships with suppliers is the fourth perceived benefit for the SME. Other benefits that the SME expects to obtain from the adoption of e-procurement are improved customer service level, reduction in inventory level, improved performance in existing market, increased customer satisfaction, better utilisation of staff, and increase in market share, reduction in non-contractual cost, efficient increment and reduction in operational cost. Again, environmental issues that can be reduced as a result of e-procurement adoption (paperless office) are given the lowest priority in this SME.

Table No: 3 (C3)

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<th>Efficiencies increment</th>
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<th>Improve relationships with supplier</th>
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For C3, reduction in transactional costs and improvement in processing time are the first and second most important benefits that the SME expects to obtain as a result of e-procurement adoption, while the improvement it brings to supply chain management is the third most important benefit. The priority of the remaining benefits is shown in Table 3 in the rank row.
## 5.4 Company C4

### Table No: 4 (C4)

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<th>Reduction in non-contractual buying</th>
<th>Reduction in operational tasks</th>
<th>Reduction in processing time</th>
<th>Reduction in transactional cost</th>
<th>Support for environmental issues</th>
<th>CR</th>
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<td>7.40%</td>
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<td>7.50%</td>
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<td>2.80%</td>
<td>8.80%</td>
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<tr>
<td>Average</td>
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<td>3.96%</td>
<td>13.66%</td>
<td>15.2%</td>
<td>7.92%</td>
<td>6.74%</td>
<td>5.84%</td>
<td>7.68%</td>
<td>4.86%</td>
<td>3.28%</td>
<td>3.00%</td>
<td>9.96%</td>
<td>11.4%</td>
<td>1.80%</td>
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<tr>
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<td>1</td>
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<td>12</td>
<td>13</td>
<td>4</td>
<td>3</td>
<td>14</td>
</tr>
</tbody>
</table>

C4 is the smallest of the four SMEs and it expects that e-procurement will allow it to increase its market as a result of e-procurement adoption: thus, increase in existing market share is the highest ranked perceived benefit for the company. However, the SME feels that supply chain management is also extremely important and the participants ranked it the second most important perceived benefit. Reduction in transaction cost and improved processing are the third and fourth most important benefits for the SME. The priorities of the remaining perceived benefits are also shown in Table 4.

### Overall average Priority of perceived benefits across all SMEs and Consistency Riot (CR)

<table>
<thead>
<tr>
<th>Factors</th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
<th>Average</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in transactional cost</td>
<td>12.47%</td>
<td>16.25%</td>
<td>12.75%</td>
<td>11.48%</td>
<td>13.24%</td>
<td>1</td>
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<tr>
<td>Help to improve SCM</td>
<td>13.41%</td>
<td>11.99%</td>
<td>10.07%</td>
<td>13.66%</td>
<td>12.28%</td>
<td>2</td>
</tr>
<tr>
<td>Reduction in processing time</td>
<td>8.44%</td>
<td>12.03%</td>
<td>12.95%</td>
<td>9.96%</td>
<td>10.85%</td>
<td>3</td>
</tr>
<tr>
<td>Improved relationships with suppliers</td>
<td>12.15%</td>
<td>9.66%</td>
<td>7.10%</td>
<td>7.92%</td>
<td>9.21%</td>
<td>4</td>
</tr>
<tr>
<td>Improved existing markets</td>
<td>3.22%</td>
<td>6.72%</td>
<td>8.12%</td>
<td>15.26%</td>
<td>8.33%</td>
<td>5</td>
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<tr>
<td>Increased customer service</td>
<td>6.78%</td>
<td>8.03%</td>
<td>7.35%</td>
<td>6.74%</td>
<td>7.23%</td>
<td>6</td>
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<tr>
<td>Increased customer satisfaction</td>
<td>5.81%</td>
<td>5.81%</td>
<td>7.57%</td>
<td>5.84%</td>
<td>6.26%</td>
<td>7</td>
</tr>
<tr>
<td>Reduction in inventory levels</td>
<td>7.49%</td>
<td>7.45%</td>
<td>4.50%</td>
<td>4.86%</td>
<td>6.08%</td>
<td>8</td>
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<tr>
<td>Better utilization of staff</td>
<td>6.85%</td>
<td>5.50%</td>
<td>5.37%</td>
<td>4.48%</td>
<td>5.55%</td>
<td>9</td>
</tr>
<tr>
<td>Increased market share</td>
<td>4.26%</td>
<td>4.25%</td>
<td>3.55%</td>
<td>7.68%</td>
<td>4.94%</td>
<td>10</td>
</tr>
<tr>
<td>Reduction in non-contractual buying</td>
<td>4.18%</td>
<td>3.68%</td>
<td>3.55%</td>
<td>3.26%</td>
<td>3.67%</td>
<td>11</td>
</tr>
<tr>
<td>Efficiencies increment</td>
<td>3.52%</td>
<td>3.38%</td>
<td>3.12%</td>
<td>3.96%</td>
<td>3.50%</td>
<td>12</td>
</tr>
<tr>
<td>Reduction in operational tasks</td>
<td>3.55%</td>
<td>3.31%</td>
<td>3.30%</td>
<td>3.00%</td>
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<td>13</td>
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<tr>
<td>Support for environmental issues</td>
<td>1.88%</td>
<td>1.94%</td>
<td>1.77%</td>
<td>1.80%</td>
<td>1.85%</td>
<td>14</td>
</tr>
<tr>
<td>CR</td>
<td>7.75%</td>
<td>7.84%</td>
<td>7.65%</td>
<td>7.78%</td>
<td>7.76%</td>
<td></td>
</tr>
</tbody>
</table>
Overall analysis of the perceived benefits in relation to the adoption of e-procurement shows that reduction in transactional cost is one of the most important benefits for selected Saudi Arabian SMEs. The analysis also shows that better supply chain management is the second most important benefit, while reduction in processing time is the third most important benefit that the SMEs expect to obtain as a result of e-procurement adoption. The priority of other perceived benefits are also shown in Table 6.

6. Conclusion

The AHP analysis of quantitative data reveals that SMEs realise the benefits of e-procurement. The average rating (in Table 5) indicates that some benefits are realised to a much greater extent than others. The highest benefit realised in Saudi Arabian SMEs is reduction in transactional cost, with an average rating of 13.24% (1.3), which is a basic level of realisation. Help to improve supply chain management (12.28%) and reduction in processing time (10.85%) are the other benefits seen in these Saudi Arabian SMEs. It was also found that in order of their priority, reduction in transactional cost, help to improve SCM, reduction in processing time, improved relationships with suppliers, improved existing markets, increased customer service and satisfaction, reduction in inventory levels, better utilization of staff, increased market share, reduction in non-contractual buying, efficiencies increments, reduction in operational tasks and supporting environmental issues were the benefits. The results of the analysis also reveal that perceived benefits were experienced in larger degree in larger SMEs (C1 and C2) than in smaller SMEs (C3 and C4). There might be many reasons for this difference, such as the quantity of inventory needed, the number of customers, the number of suppliers, lack of knowledge and experience of e-procurement etc. Analysis of qualitative data from four selected SMEs revealed that cost effectiveness, increased efficiency and utilisation of staff, business expansion, less disruption to the supply chain, time saving, strengthened relationships with suppliers and partners, reduced paperwork and environmental friendliness, increased customer loyalty and trust and better transparency being the benefits mentioned by respondents. A closer analysis reveals increased transparency was an additional benefit factor in Saudi Arabian SMEs not mentioned in the Gunasekaran and Ngai Model (2009). Future research could collect data from a larger number of SMEs to evaluate further benefits, their consistency and the difference between smaller and larger SMEs in more detail.

7. References


The Effect of Career Management Practices on Employee Development and Organizational Commitment

Nevra Baker, Bogazici University, Turkey

Abstract

This research aimed to find out if individual and organizational career management practices have an effect on employee development and organizational commitment and in what way possible ways do these affect employee development and organizational commitment. As a result of this study, it was observed that individual and organizational career management activities surely lead to employee development. What was unexpected was that employee development would lead to organizational commitment and relatedly, both individual and organizational career management activities would again lead to a greater organizational commitment.

Keywords: employee development, organizational commitment

1. Introduction

The aim of this research is to find out if individual and organizational career management practices have an effect on employee development and organizational commitment and in what way possible ways do these affect employee development and organizational commitment. Career management is the process by which individuals collect information about values, interests and skill strengths and weaknesses (career exploration), identify a career goal, and engage in career strategies that increase the probability that career goals will be achieved (Greenhaus, 1987). Developmental behavior and activities (e.g. attending courses, reading journals, or initiating new projects) are designed to enhance personal and professional growth (London, 1989). Nordhaug (1989) asked employees about the outcomes of their most recent company training course and found that many reported an increased interest in learning in general (51% of respondents), more self-actualization (65%), and increased self-confidence (42%).

2. Literature survey

2.1 Steps of the career management process

The first step in the career management process is career exploration. Career exploration is based on the theory of explorative behavior developed by vocational psychologists. Exploratory behavior includes mental or physical activities which elicit information about oneself or the environment (Jordaan, 1963). Stumpf et al. (1983) suggests that career exploration involves four components: (1) where one explores (environment versus self), (2) how one explores (intended versus systematic), (3) how much one explores (frequency and amount of information), and (4) what one explores (the focus of the exploration).

Where one explores and how one explores likely influence employees’ developmental behavior. Individuals obtain career information through self-exploration of values, interests, and skill strengths and weaknesses and environment exploration (e.g. discussing career interests with peers and family members). Exploration is expected to occur for persons who wish to successfully progress in their careers (Phillips, 1982). A more systematic exploration is likely to result in a better awareness and
understanding of developmental needs. This awareness is an important prerequisite for developmental behavior and willingness to participate in development activities (Noe, 1986).

The second step in the career management process is development of career goals. Goal setting theory suggests that goals influence behavior by directing attention, stimulating and maintaining effort, and facilitating the development of strategies for goal attainment (Locke and Latham, 1990). Task performance of employees with specific, challenging goals is superior to those who work on vague, easy or no goals (Locke, Shaw, Saari and Latham, 1981). According to Greenhaus (1987), a career goal is a career-related outcome (such as promotion, salary increase, or skill acquisition) that an employee desired to attain.

In the career literature, goal focus has been shown to be an important determinant developmental behavior and willingness to participate in development activities. Goals influence behavior by facilitating the development of strategies for goal attainment (Locke et al., 1981). One strategy is for employees to engage in behaviors and activities designed to improve skill strengths and weaknesses. The more focused employees’ career goals, the more likely they will be to engage in behaviors which will help them reach their goals and the greater their motivation to participate in development activities. Career goal focus is also positively related to job performance.

The third aspect of career management is the development and implementation of a career strategy. A career strategy is an activity or behavior, such as participating in a mentoring relationship that increases the likelihood of career goal attainment. Gould and Penley (1984) found that the use of networking and self-nomination was related to managers’ salary progression. They suggest that the use of both interpersonal and intrapersonal career strategies results in managers giving employees more favorable performance evaluations because these strategies cause managers to develop positive affect toward employees. The interpersonal career strategies most responsible for the development of positive affect include communicating a desire to assume increased responsibility (self-nomination), and developing contacts inside the company who provide one’s boss with access to information and resources (networking).

2.2 Career management and organizational commitment

Employees are changing their values and priorities, are more willing to take control of their own careers and welcome the idea of the boundaryless career (Arthur & Rousseau, 1996). Career management has been defined as “attempts made to influence the career development of one of more people (Arnold, 1997) and may take the form of a range of more or less formal activities ranging from training courses and assessment centers to mentoring and careers advice. Organizational career management is largely planned and managed by the organization. In contrast, career self-management is under the control of the individual and consists of gathering information and plans for career problem solving and decision-making. It involves two main behaviors: one relating to continuous improvement in one’s current job and the other related to movement – job mobility preparedness (Kossek, Roberts, Fisher & Demarr, 1998). Organizational commitment and career self-management are not mutually exclusive and the former may help to promote the latter.

Affective organizational commitment is defined as “the relative strength of an individual’s identification with and involvement in a particular organization” (Mowday, Steers, and Porter, 1979). Antecedents of organizational commitment can be grouped into three categories concerned with characteristics of the organization and of the individual and work experiences (Meyer & Allen, 1997). Work experiences that have been found to be important in explaining variations in organizational commitment include job scope (Mathieu & Zajac, 1990), organizational support (Eisenberger, Fasolo & Davis-LaMastro, 1990), and fairness of treatment (Konovsky & Cropanzano, 1991). A number of studies have emphasized the importance of early experiences in the organization (e.g. Louis, 1980), including, aspects of socialization (Ashforth & Saks, 1996) and provision of training and development (Arnold & Mackenzie Davey, 1999; Tannenbaum, Mathieu, Salas & Cannon-Bowers, 1991), for the establishment of organizational commitment. There is evidence that perceptions of good career
opportunities within an organization and the provision of developmental activities remain important predictors of organizational commitment (Morris, Lydka & Fenton-O’Creevy, 1993; Arnold & Mackenzie Davey, 1999).

However, organizations expect and graduates recognize that they can and should play a role in managing their own careers. This may mean they have to be more proactive about their own career development, for example, getting to know influential people, seeking out career advice, and drawing attention to their achievements. Since career self-management can serve two purposes—to further one’s career within an organization outside it, different kinds of activities are likely to be appropriate, depending on the intention (Stickland, 1996). For example, networking activities and visibility activities might be useful for furthering a career within the organization. On the other hand, other types of career management activity, such as gaining marketable knowledge and experience and monitoring job advertisements, are most likely to be suited to furthering a career outside an individual’s current employer.

Doing things to manage one’s career outside the organization is likely to undermine further an individual’s commitment to their employer, as they actively consider a career with another employer (Jaros, 1997). Conversely, organizational commitment might also encourage individuals to perform the kind of career management practices, such as seeking out an influential mentor, which will help further their career in their current organization (Arnold, 1997). Earlier research has suggested that, if graduates are to manage their own career successfully, they need assistance from their employers to give them the skills and confidence to do so (Noe, 1996; Fournier, 1997). This type of career management activity, if successful, is likely to bring graduates to the attention of influential, more senior, managers, putting them in position where they are likely to attract even more help from the organization in the future (Arnold, 1997). If graduates do not receive adequate career management help from their employer, this is likely to be a source of dissatisfaction (Pitcher & Purcell, 1997; Mabey, 1986).

Arnold and Mackenzie Davey (1994) found that the most strongly endorsed reasons for joining an organization given by graduates were long-term career prospects and training. Unfortunately, graduates’ expectations in this regard have often been found to exceed reality, thus posing a threat to the generation of organizational commitment at the start of their career (Mabey, 1986). It is agreed that the early years of employment in particular is a significant time for the development of commitment (Louis, 1980), and it is generally accepted that “positive” organizational experiences during this period make a strong contribution to this (Irving & Meyer, 1994). Career development and training activities provided by the organization have been identified as the kind of “positive” experiences that engender organizational commitment during the early years of work (Arnold & Mackenzie Davey, 1999; Tannenbaum, Mathieu, Salas & Cannon-Bowers, 1991). This finding is endorsed by studies which have shown that institutionalized socialization of graduates is also positively related to the development of organizational commitment (Ashworth & Saks, 1996).

Three types of organizational commitment are defined by Meyer and Allen (1991). These are:

- Affective commitment: the employee’s emotional attachment to, identification with, and involvement in the organization.
- Continuance commitment: an awareness of the costs associated with leaving the organization
- Normative commitment: a feeling of obligation towards continued employment

Of the three types of organizational commitment, affective commitment will be examined in this paper.

2.3 Individual career management and organizational career management

Individual career management is defined as “the personal efforts made by individuals to advance their own career goals which may or may not coincide with those their organizations have for them” (Hall, 1986). The two primary aspects of individual career management are individual career planning and
individual career tactics. Individual career planning refers to the process of identifying what one wants from one's career, assessing one's strengths and weaknesses in relation to these goals, and deciding what steps need to be taken to realize these goals in the light of one's own strengths and weaknesses. (Crites, 1983; Gould, 1978). Unless individuals are capable of developing and executing strategies for carrying out their plans, they are unlikely to be successful. A variety of career tactics have been advocated, all of which involve manipulating the situation in which individuals find themselves to their own advantage, so that they can successfully realize their goals (Crites, 1983; Pfeffer, 1981).

Many graduate recruiters are now explicit that career management is an individual, rather than an organizational responsibility. It is argued that the balance between organizational and individual responsibility for career management has shifted to a position where the onus for managing the career now rests with the individual (e.g. Hall & Mirvis, 1996). In particular, the demise of the bureaucratic paradigm and the development of flatter, adaptive organizations have significantly affected the nature of the organizational career for graduate recruits (Brown & Scase, 1994). This rhetoric suggests that organizational careers have ceased to exist. Careers are no longer “bounded” by the organization, but instead have become “portable” (Kanter, 1989), “boundaryless” (Arthur, 1994), or “protean” (Hall & Mirvis, 1996). The new career is described as portable because an individual’s success depends on the transfer of skills from organization to organization (Kanter, 1989); it is boundaryless, because it can no longer be defined within the confines of one company (Mirvis & Hall, 1994); and it is protean, because it changes shape to accommodate the individual’s personal and work circumstances. Therefore, there is no longer a premise of an expectation of an organizational career for life (Herriot & Pemberton, 1995).

Implicit in the idea of the “new” career is the assumption that if organizations can no longer offer individuals a career for life, then nor do they have any responsibility to manage their career for them. As a result, the balance between organizational and individual career management, which is said to have previously existed (Orpen, 1994), has shifted towards a position of self-reliance for the individual (Kanter, 1989).

HRM in organizations includes many practices that are concerned with the management of careers. Organizational career management (OCM) is concerned with the organization carrying out activities relevant to the career development of its employees. Some OCM practices are: performance appraisal as a basis for career planning, assessment centers, peer appraisal, upward (subordinate) appraisal, career counseling by direct supervisor, career counseling by HR Department, formal mentoring, career workshops, common career paths, dual ladder (parallel hierarchy for professional staff), written personal career planning (as done by the organization or jointly), retirement preparation programs, succession planning, books and/or pamphlets on career issues, postings regarding internal job openings, formal education as part of career development, and lateral moves to create cross-functional experience. Though the content of such schemes can vary, they share certain general features which make them what they are, such as establishing what employees want from their careers, providing appropriate career opportunities for employees, identifying which employees deserve these opportunities and then providing them and evaluating the outcomes of career management programs (Morgan, Hall, and Martier (1979); Williams (1979)).

3. Methodology

3.1 Sample

The sample consists of 49 respondents mainly from the communications, textile and education sectors. The mean age of the respondents is 32, with a minimum of 24 and a maximum of 45 years of age. 57.1% of the respondents are female and 42.9% of the respondents are male. The average tenure of the respondents is 3.44 years, ranging from zero to 15 years in the same company.
Descriptive Statistics

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<th>Maximum</th>
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</tbody>
</table>

Gender

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</tr>
</tbody>
</table>

3.2 Research questions

The research questions that will be dealt with in this paper are: “How does career management affect employee development?”, “How does career management affect organizational commitment?”, and “To what extent are employee development and organizational commitment related to each other and what kind of a relationship exists between them?”

3.3 The model

![Diagram of the model]

According to the model, “career management activities” is the independent variable. The dependent variable is “organizational commitment” and the intervening variable is “employee development”.

IV. Hypotheses

The main hypothesis of this paper is: Career management activities (both individual and organizational) have a decreasing effect on organizational commitment by increasing employee development.

Therefore, the first hypothesis is:
H1. Career management activities have a positive impact on employee development.
Thus:
H1a. Individual career management activities have a positive impact on employee development.
H1b. Organizational career management activities have a positive impact on employee development.

Subsequently, the second hypothesis is:
H2. Employee development has a positive effect on organizational commitment.
And the third hypothesis reads:
H3. Career management activities have a positive impact on organizational commitment.
Thus:
H3a. Individual career management activities have a positive impact on organizational commitment.
H3b. Organizational career management activities have a positive impact on organizational commitment.

3.5 Questionnaire development
A questionnaire consisting of 22 questions is conducted in order to measure the relationship between career management activities and organizational commitment by measuring the effects of individual and organizational career management activities on employee development. A 5-point Likert scale is used to measure these variables on a ratio scale basis. The English and Turkish versions of the questionnaire can be found in the Appendix section.

The dimensions of the independent, dependent, and intervening variables in the questionnaire can be seen in Figure 1:

<table>
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<tr>
<td>indcareer1</td>
<td>Proactivity about my own career development</td>
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<tr>
<td>indcareer2</td>
<td>Getting to know influential people within and outside the company</td>
</tr>
<tr>
<td>indcareer3</td>
<td>Seeking out career advice</td>
</tr>
<tr>
<td>indcareer4</td>
<td>Drawing attention to own achievements</td>
</tr>
<tr>
<td>indcareer5</td>
<td>Putting effort to gain marketable knowledge and experience</td>
</tr>
<tr>
<td>indcareer6</td>
<td>Monitoring job advertisements</td>
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<table>
<thead>
<tr>
<th>Organizational career management activities</th>
<th>Dimension</th>
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<td>orgcareer1</td>
<td>Organization carries out activities relevant to the career development of its employees</td>
</tr>
<tr>
<td>orgcareer2</td>
<td>Use of performance appraisal</td>
</tr>
<tr>
<td>orgcareer3</td>
<td>Use of peer appraisal</td>
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<tr>
<td>orgcareer4</td>
<td>Availability of career counseling</td>
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<tr>
<td>orgcareer5</td>
<td>Undertaking of career workshops</td>
</tr>
<tr>
<td>orgcareer6</td>
<td>Use of books and/or pamphlets on career issues</td>
</tr>
<tr>
<td>orgcareer7</td>
<td>Postings regarding internal job openings</td>
</tr>
<tr>
<td>orgcareer8</td>
<td>Formal education as part of career development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee development</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>empdev1</td>
<td>An increased interest in learning in general</td>
</tr>
<tr>
<td>empdev2</td>
<td>More self-actualization</td>
</tr>
<tr>
<td>empdev3</td>
<td>Increased self-confidence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational commitment</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>orgcom1</td>
<td>Feelings of commitment and loyalty to the company</td>
</tr>
</tbody>
</table>
Belief in and acceptance of the goals and values of the company

Willingness to exert considerable effort on behalf of the company

Having a strong desire to retain membership in the company

Feelings of emotional attachment to the company

Figure 1. Variables and dimensions of the constructs

3.6 Results of the data analysis

The relationships among the variables have been analyzed using correlation tables. According to the results of this study, there is a significant positive correlation between individual career management activities and employee development. Therefore, H1a is supported. Also, organizational career management activities have a significant positive correlation with employee development. Therefore, H1b is also supported. As a result, the first hypothesis stating that career management activities have a positive impact on employee development has been supported.

It should be noted that organizational career management activities have a twice as high correlation with employee development than individual career management activities. The correlation tables for the first hypothesis can be found below.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>indcareer</th>
<th>empdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.346*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.015</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlations</th>
<th>orgcareer</th>
<th>empdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.732**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

The second hypothesis of this paper (Employee development has a positive effect on organizational commitment) is also supported. The correlation table for the second hypothesis can be found below.
As related to the results of the third hypothesis, according to the results of this study, both individual and organizational career management activities have a significantly positive impact on organizational commitment. Therefore, the hypotheses H3a (Individual career management activities have a positive impact on organizational commitment) and H3b (Organizational career management activities have a positive impact on organizational commitment) are supported. It should be noted that organizational career management activities have a much higher positive correlation with organizational commitment than individual career management activities. The correlation tables for the third hypothesis can be found below.

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>empdev</th>
<th>orgcom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.608**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.608**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>indcareer</th>
<th>orgcom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.331*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.020</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.331*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.020</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>orgcareer</th>
<th>orgcom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.571**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.571**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4. Conclusion & Discussion

In this study, it is observed that individual and organizational career management activities surely lead to employee development. Again, expectedly, employee development leads to organizational commitment and relatedly, both individual and organizational career management activities again lead to a greater organizational commitment.

As the supported first hypothesis stated, both individual and organizational career management activities have a positive impact on employee development. Individual career management activities which consist of individual career planning and individual career tactics have an important effect on employee development since these activities are related to the process of identifying what one wants from one's career, assessing one's strengths and weaknesses in relation to these goals, and deciding what steps need to be taken to realize these goals in the light of one's own strengths and weaknesses, as stated by Crites (1983) and Gould (1978), or activities which involve manipulating the situation in which individuals find themselves to their own advantage, so that they can successfully realize their goals (Crites, 1983; Pfeffer, 1981). Also organizational career management activities which comprise performance appraisal, assessment centers, peer appraisal, upward appraisal, career counseling by direct supervisor, career counseling by HR Department, and the like have a positive direct effect on employee development.

Moreover, according to the results of this study, employee development had a positive effect on organizational commitment. The reason for this should be the positive effect of organizational commitment activities on employee development. Employees who get the sense that their organization cares for their development, develop a greater sense of belonging towards their organization rather than leaving the organization for other organizations, which is also described as affective commitment in the literature.

Another result of this study was that individual and organizational career management activities had a positive impact on organizational commitment. The positive impact of organizational career management activities on affective organizational commitment is related to the result of the second hypothesis. Also individual career management activities contributed positively to organizational development. One reason might be that individuals who are already committed to their organizations might be willing to engage in individual career management activities in order to develop themselves so that they can stay in their current organization by meeting the rising expectations of that organization in order to be a desirable employee in their current organization. Other reasons of the positive impact of individual career management activities on organizational commitment and especially which individual career management activities contribute more to organizational commitment is suggested to be examined in a further study.

5. References


**Appendix I – The Questionnaire (English version)**

This questionnaire will be used for a doctoral study on the relationship between career management activities and organizational commitment. The information you will provide will be highly appreciated and kept in strictest confidence.

I. Please indicate your answer by circling the appropriate number for each question.

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I believe that I am proactive about my own career development.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>2. I get to know influential people within and outside my company.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>3. I seek out career advice when necessary.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>4. I like drawing attention to my achievements.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>5. I put effort to gain marketable knowledge and experience.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>6. I frequently monitor job advertisements.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>7. I think that my organization carries out activities relevant to the career development of its employees.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>8. In my company, performance appraisal is used as a basis for career planning.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>9. In my company, peer appraisal is undertaken.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>10. In my company, career counseling is available by a direct supervisor or by the HR Department.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>11. Career workshops are organized in my company.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>12. In my company, there are books and/or pamphlets used on career issues.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>13. In my company, there are postings regarding internal job openings.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>14. In my company, formal education is considered as part of career development.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>15. In my company, I believe that I have an increased interest in learning in general.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
<tr>
<td>16. In my company, I believe that I have achieved more self-actualization.</td>
<td>1-2-3-4-5</td>
<td></td>
</tr>
</tbody>
</table>
17. I believe that my self-confidence has increased in my company.
18. I feel committed and loyal to my company.
19. I believe in and accept the goals and values of my company.
20. I am willing to exert considerable effort on behalf of my company.
21. I have a strong desire to retain membership in my company.
22. I feel emotionally attached to my company.

II. Please indicate your...

Age: __________
Gender: ________
Number of years you have worked/been working for your company: ________________
Your title: ____________________________________________

Thank you for your valuable contribution.

Oskeol Gjoni, European University of Tirana, Albania

Abstract

The telecommunications sector in Albania is dominated from seven major operators that have an across the country presence. At the end of 2014 the sector of electronic communications in Albania has seen a decline in the number of subscribers of mobile telephony in active subscribers and in subscribers of active sim cards, respectively 3,359,654 subscribers with a year on year decline of -8.9% compared with 2013 and 4,881,666 subscribers with a year on year decline of -7.6% compared with 2013. A decline behavior is also present in fixed telephony with a year on year decline of -12.1%. The penetration of mobile telephony and fixed telephony is 123% and 9.2% of the population respectively. On the other hand the fixed broadband market is in rapid growth with a year on year growth of 13.3%. The main focus of Business Process Management (BPM) is the automation and optimization of business processes as well as the support of human interactions with the use of information technologies. BPM sees processes as strategic assets of an organization that must be understood, managed, and improved to deliver value-added products and services to clients. Driven by the need for a closer alignment of business and IT requirements, the role of business process models in the development of enterprise software systems has increased continuously. This paper will provide the state of the art in business process management practices in the telecommunication industry in Albania.

Keywords: Business Process Management, modeling, BPMN, Telecommunications.

Introduction

It is part of the human nature to be attracted to easy solutions for complex problems. In the business world we learn to solve problems quickly and move on fast. In the case when we can’t get our work done quickly enough, we’ve discovered we can automate! In the office we’ve perfected this ability over the past 100 years to the point that we now automate almost everything in order to get more done faster – it began first with letter writing, then book-keeping, reporting, inventory, sales and order processing and, more recently, business workflow and document management. Thus, when confronted with productivity, efficiency and business control issues today, our first temptation is to buy an automated solution to our problem [26].

Businesses today, especially very large organizations with complex service products, are realizing that there’s only so much their IT systems can achieve in improving their business operations. Even where core systems are effective and efficient (which is not always the case), it is becoming increasingly difficult further to improve the overall operating efficiency and customer service effectiveness to the extent necessary to meet customer and shareholder expectations at a rate faster than our competitors [26].

There are different definitions for a business process but they all can be summarized to as “a collection or ordered tasks that need to be carried out to achieve a certain business goal, such as the production of a particular product or the delivery of a service”. Business Process Management (BPM) is a management approach that comprises the creation, development, maintenance and optimization of
business processes in different organizations. BPM sees processes as strategic assets of an organization that must be understood, managed, and improved. Tasks within business processes represent activities that are performed manually by a human or automatically by some system. The main focus of BPM is the automation and optimization of business processes as well as the support of human interactions with the use of information technologies [13]. The different phases that are part of BPM are; analysis, design, implementation, deployment, monitoring and evaluation. In the analysis and design phases, a business case is analyzed and a desired solution is modeled. Then the solution is implemented and executed in an existing environment (implementation and deployment phase). The running solution is controlled in the monitoring phase and the solution is adapted for continuous improvement during the evaluation phase [12].

In BPM, business processes of an organization are represented in terms of process models capturing the business logic that shall be automated. A process model comprises a set of activities connected by edges that determine the order in which the activities are performed. The standard modelling formalism to model business process is the Business Process Modeling and Notation (BPMN). BPMN is a standard for business process modeling that provides a graphical notation for specifying business processes in a Business Process Diagram (BPD), based on a flowcharting technique very similar to activity diagrams from Unified Modeling Language (UML) [17, 25].

The primary goal of BPMN is to provide a standard notation readily understandable by all business stakeholders. These include the business analysts who create and refine the processes, the technical developers responsible for implementing them, and the business managers who monitor and manage them. Consequently, BPMN serves as a common language, bridging the communication gap that frequently occurs between business process design and implementation [17, 24].

For the automation of business process, typically the model driven architecture approach to software development is applied. The MDA approach in developing information systems is a model-oriented approach since it focusses on the business logic (the “what”) rather than on the specific implementation technology (the “how”) on a particular programming environment such as Java, .NET etc [21, 12, 14]. This separation enables also portability, interoperability and reusability [18, 19]. MDA makes models the authentic protagonist of information systems development, not the source code. This separation decreases the impact that technology evolution has on application development and also enables the possibility to profit from new implementation technologies. Once the model is created, it can be transformed automatically into code in different software platforms. Knowledge and intellectual property engaged in application development are moved from source code to models. Models are the most valuable assets since code is obtained from them through automatic transformations [21, 22].


The Telecommunications Sector in Albania

The telecommunications sector in Albania is dominated from seven major operators that have an across the country presence. These operators are Vodafone Albania, Albanian Mobile Communications (AMC), Albtelecom, Plus Communication, Abcom, Abissnet and Albanian Satellite Communications (ASC). As per the latest report published from the National Authority of Electronic and Postal Communications there are around 100 operators present and operating in Albania. Only the above seven mentioned operators have an across the country presence while the other operators are very small and have only local or regional presence [16]. At the end of 2014 the sector of electronic communications in Albania has seen a decline in the number of subscribers of mobile telephony in

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active subscribers and in subscribers of active sim cards, respectively 3,359,654 subscribers with a year on year decline of -8.9% compared with 2013 and 4,881,666 subscribers with a year on year decline of -7.6% compared with 2013. Active subscribers refers to subscribers of SIM cards that have used mobile telephony services in the last three months while the number of subscribers as per SIM active cards refers to the number of SIM cards that are active in the mobile network at the end of the reporting period. A decline behavior is also present in fixed telephony with a year on year decline of -12.1%. The penetration of mobile telephony and fixed telephony is 123% and 9.2% of the population respectively. On the other hand the fixed broadband market is in rapid growth with a year on year growth of 13.3% [16].

**Mobile Network Operators**

In Albania operate four mobile network operators, Vodafone Albania, Albanian Mobile Communications (AMC), Alбtelecom and Plus Communication. The penetration of mobile telephony in Albania is 123% of the population at the end of 2014. The operators offer 3G services (Plus is the exception) and are currently in the process of implementing 4G services across the country. In the below table is presented the market share for the operators as per active subscribers and subscribers of active sim cards [16].

<table>
<thead>
<tr>
<th>Active Subscribers and Active SIM Cards</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus</td>
<td>28,162</td>
<td>28,162</td>
<td>182,391</td>
<td>396,722</td>
<td>202,426</td>
</tr>
<tr>
<td>Albtelecom</td>
<td>602,775</td>
<td>822,356</td>
<td>415,307</td>
<td>1,110,363</td>
<td>435,922</td>
</tr>
<tr>
<td>Vodafone</td>
<td>1,129,715</td>
<td>1,674,748</td>
<td>1,358,871</td>
<td>1,809,264</td>
<td>1,491,126</td>
</tr>
<tr>
<td>AMC</td>
<td>1,396,752</td>
<td>2,022,541</td>
<td>1,152,518</td>
<td>1,920,000</td>
<td>1,407,811</td>
</tr>
</tbody>
</table>

Table 1: Number of active subscribers and active SIM cards per mobile operator from 2010 to 2014

In the below table is also presented the number of subscribers using 3G mobile broadband per operator [16].

<table>
<thead>
<tr>
<th>Number of subscribers with 3G broadband</th>
<th>AMC</th>
<th>Vodafone</th>
<th>Albtelecom</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cellphone USB/Modem</td>
<td>2012</td>
<td>222,882</td>
<td>17,833</td>
<td>371,426</td>
</tr>
<tr>
<td>Cellphone USB/Modem</td>
<td>2013</td>
<td>279,428</td>
<td>32,138</td>
<td>568,207</td>
</tr>
<tr>
<td>Cellphone USB/Modem</td>
<td>2014</td>
<td>163,797</td>
<td>61,549</td>
<td>503,855</td>
</tr>
<tr>
<td>YoY change 2014/2013</td>
<td>-41%</td>
<td>92%</td>
<td>-11%</td>
<td>-30%</td>
</tr>
</tbody>
</table>

Table 2: Number of subscribers with 3G broadband access per operator

**Fixed telephony operators**

In Albania operate many fixed telephony operators due to the presence of many small local providers. The market is dominated from Alбtelecom (incumbent with 74% market share) and the other operators that have certain relevance are Abcom, Albanian Satellite Communications, Albanian Mobile Communications Fiks and Nisatel (local operator). In the below Table 3 is provided a detailed picture of the sector. The penetration of fixed telephony is Albania is 9.2% of the population (around 31% penetration in terms of households) and the total number of subscribers are 247,070 at the end of 2014 as per the latest report with a decline of -12 year on year. The penetration of fixed telephony and its usage is in constant decline in Albania in line with the European trends on fixed telephony [16].

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of subscribers</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>247,070</td>
<td>-12%</td>
</tr>
<tr>
<td>2011</td>
<td>247,070</td>
<td>-7%</td>
</tr>
<tr>
<td>2012</td>
<td>247,070</td>
<td>-7%</td>
</tr>
<tr>
<td>2013</td>
<td>247,070</td>
<td>-7%</td>
</tr>
<tr>
<td>2014</td>
<td>247,070</td>
<td>-7%</td>
</tr>
</tbody>
</table>
The number of Fixed Broadband Operators in Albania is also elevated due to the presence of many small local providers. The market leaders in the fixed broadband market in Albania are Albtelecom (incumbent), Abcom, Albanian Satellite Communications and Abissnet. The penetration of fixed broadband in Albania is around 27% of households and the total number of subscribers is 206,896 at the end of 2014 as per the latest report with a 13% increase year on year. The fixed broadband market in Albania has not reached its maturity and saturation and is in continuous expansion. In the below table is presented the market share for the operators at the end of 2014 [16].

<table>
<thead>
<tr>
<th>Number of Fixed Telephony subscribers per operator</th>
<th>Albtelecom</th>
<th>Abcom</th>
<th>ASC</th>
<th>Nisatel</th>
<th>AMC Fiks</th>
<th>Other Operators</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>277,763</td>
<td>19,975</td>
<td>7,408</td>
<td>5,900</td>
<td>n/a</td>
<td>20,456</td>
<td>331,502</td>
</tr>
<tr>
<td>2011</td>
<td>258,943</td>
<td>27,167</td>
<td>10,129</td>
<td>4,950</td>
<td>5,500</td>
<td>6,119</td>
<td>338,844</td>
</tr>
<tr>
<td>2012</td>
<td>230,397</td>
<td>33,000</td>
<td>7,649</td>
<td>5,500</td>
<td>6,119</td>
<td>28,996</td>
<td>311,661</td>
</tr>
<tr>
<td>2013</td>
<td>210,382</td>
<td>13,680</td>
<td>15,047</td>
<td>7,166</td>
<td>6,950</td>
<td>27,975</td>
<td>281,200</td>
</tr>
<tr>
<td>2014</td>
<td>182,591</td>
<td>15,311</td>
<td>15,047</td>
<td>9,236</td>
<td>3,106</td>
<td>21,559</td>
<td>247,070</td>
</tr>
<tr>
<td>Year on Year change</td>
<td>-13%</td>
<td>14%</td>
<td>0%</td>
<td>29%</td>
<td>-55%</td>
<td>-23%</td>
<td>-12%</td>
</tr>
</tbody>
</table>

Table 3: Number of Fixed Telephony subscribers per operator

Following the global trends on the telecommunications industry and the changes that are happening across the industry where operators are moving towards the offering of converged propositions (bundling several fixed services like fixed telephony, fixed broadband, Pay TV and mobile services together) also in Albania there is a tendency on offering converged propositions. All major fixed broadband operators have implemented and are offering Pay TV services (IPTV or Cable TV) and also offer fixed bundled services (Fixed Telephony, Fixed Broadband and Pay TV). In particular Albtelecom is offering quad play services by bundling together Mobile telephony, Fixed Telephony, Fixed Broadband and IPTV in a single package.

Business Process Management Practices

For the scope of the study on business process management practices in the telecommunications market in Albania we will take into consideration only the seven major across the country companies (Vodafone Albania, Albanian Mobile Communications, Albtelecom, Plus Communication, Abcom, Abissnet and Albanian Satellite Communications) since the rest of the operators are very small and with not a clear and defined company and operational structure. We are confident that such small local operators that are mostly family run businesses have not business process management practices in place. A survey was prepared for completion to responsible persons within the seven major...
telecommunication companies in Albania. Also in same cases to explain possible inquiries and understand in more details the situation interviews were performed. In the below section we will highlight the results of the survey for each area.

**Business process modelling and business process management awareness**

In all the major telecommunication companies in Albania there is a clear understanding and awareness for Business Process Management. The importance of Business Process management is recognized. In six out of the seven companies (85% of the cases) there is also an understanding regarding Business Process Modelling and its importance even though most of the times there is a clear association between Business Process Modelling and Business Process Management.

*Responsible team within the company for Business Process Management*

In six out of the seven companies (85% of the cases) the companies have in places teams dedicated for Business Process Management with a clear structure and reporting to top management. This is clear evidence that top level executives in such companies recognize the importance of Business Process Management and Business Process Improvement.

**Tools and formalisms used for business process modelling, BPMN**

In all the companies there is not used and is not in place a tool dedicated for Business Process Modelling. Applications such as Microsoft Visio or similar are used in some cases to model business processes but there are not in place business process modelling tools that support the BPMN standard or UML. Even though four of the seven companies state in the survey that they are aware of BPMN standard, in practice the BPMN standard is not used to model business processes.

**Tools used for business process management**

In all the companies there are not in place dedicated Business Process Management suites that support business process modelling and business process management. The companies use applications/solutions provided or present in the company for business process management and in some cases to automate process flows. In some cases CRM or ERP applications are used for the purpose as well. In all the companies there are not BPMS suites in place to manage the business process lifecycle and that allow process automation starting from the process model following the model driven development approach. The importance of historical reporting in order to improve business processes is clear and understood in all cases but the historical capability of the applications it’s not the same as the one provided from a BPMS suite.

**Tools used to simulate business processes**

In all the companies there are not in place dedicated solutions used for business process simulation and business process simulation is not a practice used from the business process management teams. Process improvement is based only on historical reports and common practice careful review of the processes.
Conclusions

Following the results of the survey on business process management in the telecommunication industry in Albania it can be concluded that:

- There are no BPMS solutions used for business process management in the companies. The benefits and advantages provided from such tools are not entirely explored and we believe that the companies by investing in a business process management solution like e.g. Bizagi BPMS suite will have a clear advantage towards the competitors to streamline and better improve business processes [2, 3].

- There is not a clear formalism used to model business processes and there are no tools that support it. The BPMN standard for business process modelling is not used to model business processes. We strongly suggest the adoption of the BPMN standard within the companies. We also recommend that such adoption should happen quickly within the companies and it would provide to the ones that adopt it a clear advantage towards the competitors. The utilization of the BPMN standard is a first step towards the progress of the companies in using a BPM suite. This first step can be performed easily and with no costs since there are several tools that support BPMN to model business processes and are for free like Bizagi Process Modeler etc [4].

- Business process improvement is based mainly in historical reports and common understanding of the stakeholders involved in the process. Process simulation is not used to improve and optimize business processes. We strongly recommend the usage of process simulation as a must in order to properly optimize business processes. Process simulation can provide savings for the companies and at the same time guarantee the quality of the processes. The investment needed in such case from the companies is practically zero since there are several tools that support business process modelling and are free. One of them is Bizagi Process Modeler [4].

- It is important also to point out that all the companies are aware of the importance of business process management and have dedicated teams and functions in place that are responsible for business process management.

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[16] National Authority on Electronic and Postal Communication 4th quarter of 2014 report
Make-to-Order Manufacturing Performance in Malaysian SMEs

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Abstract

Malaysian SMEs play an important role in developing the national industry and have become the backbone of economic growth. As discussed by scholars, the concept of best practice manufacturing has become prominent in promoting better manufacturing performance. Therefore, this paper investigates the relationship of best practice manufacturing and manufacturing performance among Malaysian SMEs that are involved in the sector of make-to-order. There are four attributes – Generate Enquiries/sales, Operations and Capacity, Human Resources, and General Continuous Improvement – that have been identified in best practice manufacturing. This survey research used Multiple Regression Analysis to verify the associations between variables, as well as to measure the manufacturers’ perceptions. This study used data from 329 manufacturers who are engaged with SMEs in Malaysia. The results of multiple regression analysis indicate that the factors of Operations and Capacity, Human Resources, and General Continuous Improvement opportunities in manufacturing are significantly associated with Manufacturing Performance. Meanwhile, the factor of Generate Enquiries rejected the hypothesis. Generally, these findings provide evidence that Best Practice Manufacturing is crucial to Malaysian SMEs as well as to upgrade their manufacturing performance, especially those manufacturers that practice make-to-order. Finally, this finding gives a clear picture to the Malaysian SMEs in developing the system as well as to practice concerning the best manufacturing guideline in promoting better manufacturing performance.

Keywords: Best practice manufacturing, Manufacturing Performance, Malaysian SMEs

Introduction

In Malaysia, small and medium enterprises (SMEs) play an important role in the economic development of the country, and have become the backbone of all economic sectors (Afdiman danRosnah, 2011). According to Mazharul and Azharul (2011), SMEs provide job opportunities, strengthen industrial relations, increase the market and generate export earnings. In addition, SMEs complement and support the industry's network of industrial relations with the ability to produce high value-added products and services for domestic and export markets, thus contributing significantly to the Gross Domestic Product (Hashim, 2000). In fact, the roles played by SMEs not only concern the advancement of technology, but also as the engine of economic development of many countries, such as Singapore, Hong Kong, South Korea, Taiwan, Mexico and Malaysia. Hence, Malaysia has developed strong policies and initiatives to maximize the growth potential of SMEs and translate these aspirations into an effective action plan for the foundation of sustainability and competitiveness of SMEs in Malaysia.

According to Afdiman and Rosnah (2011), Malaysian SME manufacturers need to be aware of the manufacturing practices as well as to improve the performance and competitiveness, especially for those companies that practice make-to-order manufacturing. Muda and Hendry (2002) pointed out that most of the existing best practices are only based on specific industry sectors and are less suitable for make-to-order. In fact, many researchers have employed similar terms, such as manufacturing
processes and operations, for the entire manufacturing sector. In addition, most models of best practice are less focused on the type of production and are less appropriate for the make-to-order sector. Fundamentally, the operation of make-to-order is based on producing a special kind of product to meet customer specification and not producing standardized parts to stock. Therefore, only a few standard products can be produced if it is considered economic to do so (Beaumont, 2005). However, how many of the SMEs in Malaysia that practice the make-to-order manufacturing are really concerned about the importance of best practice and whether it contributes to their manufacturing performance? Therefore, the objective of this paper is to measure the contribution of best practice manufacturing to the performance of SMEs that practice make-to-order processing.

Development of Malaysian SMEs

As a developing country, Malaysia has a strong and vibrant industry and has become a hub for a highly developed manufacturing industry in the region. The Malaysian economy has metamorphosed from a commodity-based to a manufacturing-based economy since the mid-1980s. The growth and structural transformation of the economy over the last three decades in Malaysia occurred within the framework of a liberal trade and investment regime, as well as the extensive use of industrial policies. Some of the major industries in Malaysia are rubber, textiles, basic metals, food processing, petroleum, and electronics. Consequently, small and medium industries (SMEs) in Malaysia are also seen to have increased rapidly in the era of the new millennium. Additionally, Mazharul and Azharul (2011) mentioned that small and medium scale industries have become important in providing employment opportunities, strengthening industrial linkages, piercing markets and generating export earnings.

In order to standardize the concepts of SMEs, the National SME Development Council (2005) has approved a common definition across all sectors of the economy that will be adopted by all government agencies, private companies and financial institutions. In general, the definition of SMEs is dependent upon two factors – the number of employees and annual sales turnover or revenue generated by a business in a year. Further, Malaysian SMEs can be grouped into three categories: micro, small, or medium (see table 1). It can be concluded that manufacturing and other related manufacturing industries are defined based on enterprises with full-time employees not exceeding 150 or with an annual sales turnover not exceeding RM25 million (SME Corporation, 2012).

The concept and definition of SMEs have become important in implicating the formulation, relevant policies and delivering assistance. Meanwhile, Reeduan et al. (2011) mentioned that to be precise, an appropriate definition that describes the character of SMEs is needed of all parties, including policymakers, affected agencies and researchers to support and foster the development of SMEs as a whole. Hence, Hashim and Abdulah (2000) argued that the definition should not only be created from quantitative data but that qualitative criteria should be considered. Fundamentally, the definition of Malaysian SMEs is simplified in table 1.

Previously, the growth of SMEs was contributed by the manufacturing, mining and quarrying, and agriculture sectors, which recorded higher growth rates compared to their overall respective sectors (SME Corp 2012). The contribution from SMEs to the Gross Domestic Product in the manufacturing sector increased from 29.1% for 1996 to 31.4% in 2005 (SME Corp, 2009). While, in 2007, 96% of establishments in the manufacturing sector were SMEs, contributing 30.7% of total manufacturing output and 26.3% of total value added. In addition, more than 400,000 or 31.6% of the total workforce was employed in this sector. According to the SME Corp Annual Report (2007), the growth in productivity of SMEs stood at 5.3%, with a value of RM46.6 million in 2007 up from RM44.2 million the previous year. The productivity gain was attributed to higher value to 11.2%. However, the percentage was expected to decline to 7.6% in 2011 and 6.0% due to the global added creation and capacity utilization in selected sub-sectors. The Gross Domestic Product for SMEs manufacturing showed a growth of 7.2% in year 2007 compared to the previous year 5.7%. However, there was a reduction in GDP from 2008 to 2009 with 0.7% and -7.0%, respectively. Through the economic
recovery efforts of the government, this percentage rose sharply in 2010 even though the economy remained uncertain (SME Corp, 2012). The Klang Valley is the largest concentration of manufacturing companies due to the facilities and infrastructure provided, such as industrial parks, transportation and the links between the nation’s capital cities with other states in Malaysia (Reeduan, 2011).

Best practice manufacturing and Make-to-Order

Many companies have taken on board new ways of manufacturing practice in response to the revolution in the world of manufacturing (Muda, 2002). The manufacturing companies in Malaysia from various sectors have also been affected by the process of evolution in many ways, especially manufacturing practices. This has been perceived to be due to the competitiveness in the market and the capability for survival in the world of manufacturing. Manufacturers around the world see this transformation as necessary, as it is seen to be essential for innovation and improvements in competitive situations (Muda, 2002). Nowadays, the inclination of the manufacturing industries is to give more labels or names to the concepts and principles of practices, such as Total Quality Management (TQM), Lean Manufacturing (lean practice), Total Productive Maintenance (TPM), and Manufacturing Best Practices (MBP).

As mentioned by Muda (2002), it is important for SMEs to practice best practice manufacturing as well as to create efficiency in producing, especially for those manufacturers involved in the make-to-order sector. Daut and Uthman (2006) argued that manufacturers in Malaysia need to transform the mode of production from make-to-stock to make-to-order. This is due to the market in Malaysia not being very widespread, and in which the operating costs and raw materials are increasing. Therefore, best practice manufacturing in make-to-order will involve the manufacturers in new production methods as well as transform them to become more competitive thereby making the company's position more secure.

Literature Review

There is no special attention on best practice manufacturing for make-to-order companies in Malaysia. However, many manufacturers are trying to adopt the concept of best manufacturing principles in the management of their manufacturing, such as 5S, Lean, Six Sigma, TQM, and more. This is seen in the studies of some researchers in Malaysia concerning the best practices applied by manufacturers of SME status. Chen et al. (2009) argued that the Malaysian plant operators need to change the mode of production from Make-to-Stock to Make-to-Order. Rosnah (2004) also suggested eight components that are considered as best practices: management commitment, customer satisfaction, global competitiveness, quality practices, vendor and materials management, operational flexibility, innovation and technology and control facilities. Meanwhile, best Practices in Malaysian SMEs have been addressed by Afdiman and Rosnah (2011) with a focus on eight practices; namely, customer focus, quality, management, SCM, human resource development, production process, marketing strategy, and technology and innovation.

The concept of best manufacturing practices or world class manufacturing has started attracting the attention of researchers, manufacturers and policymakers. Fundamentally, the term best manufacturing is synonymous with the industry to reflect a superior level of success of a company (Flynn et al., 1999). Many studies have shown the positive impact and importance of best practice for manufacturing companies including Small and Medium Enterprises (SMEs). However, little attention has been given to the study of best practice manufacturing for make-to-order companies, especially in Malaysia. Instead, the SME sector is seen to be lagging behind in the adoption of the new philosophy and implementation of new best practices. This is supported by Muda and Hendry (2002) who stated that the current general counsel, program improvements and other best practice does not apply to make-to-order companies. Muda and Hendry (2003), specifically built the make-to-order model named SHEN, which originally contained 14 principles, each comprising five steps, which were grouped into four categories, as shown in table 2: generate enquiries/sales, operations and capacity, human resources and general continuous improvement. The 12 principles of SHEN, include most of
the philosophical and world-class manufacturing practices, such as Lean, Criteria of world class manufacturing, Total Quality Management, Job Shop and Just in Time Manufacturing. This makes the SHEN model more robust and comprehensive, and also enables the process to be more systematically practiced by the manufacturers.

Limitations of Study

There are two types of limitation in this study, namely, limitation of theory and limitation of population. In terms of limitation of theory, this study focused on the best practice manufacturing concept, manufacturing performance and the make-to-order approach. Consequently, four factors for best practice manufacturing are structured as independent variables in this study: Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement. Meanwhile, the factor of Manufacturing Performance is the dependent variable. Furthermore, the limitation of population covers the group of companies that are registered as SMEs in Malaysia and practice the make-to-order in their operation. According to the report of the SME Corporation (2012), there are 732 SMEs in Malaysia that are involved in the sector of make-to-order, located in the East Region, South Region, Central Region, and North Region.

Hypotheses and Theoretical Framework

To measure the impact of best practice manufacturing to the manufacturing performance among SMEs in Malaysia, four hypotheses have been summarized from the outcome of the literature review, these are:

H1: It is hypothesized that SMEs, which are best practice in generate enquiries, will be more effective in the manufacturing performance.
H2: It is hypothesized that SMEs, which are best practice in operations and capacity, will be more effective in the manufacturing performance.
H3: It is hypothesized that SMEs, which are best practice in human resources, will be more effective in the manufacturing performance.
H4: It is hypothesized that SMEs, which are best practice in general continuous improvement, will be more effective in the manufacturing performance.

In general, the four hypotheses discussed by Muda and Hendry (2003), and Chen et al. (2009) in the literature has been portrayed in the theoretical framework in figure 1.

Methodology

Fundamentally, the main analysis of this study is to answer the hypotheses that were constructed before. An inferential analysis was used to test the regression between variables based on the hypotheses. A self-administered survey was conducted for data collection in Malaysia. Furthermore, data were analyzed using univariate statistics to check the distribution of frequencies and to detect possible errors that occur during data entry. All statistical analyses were made using the program of Social Package for Social Sciences (SPSS). This research used the statistical techniques of multiple regression in order to measure the relationship of standardized regression coefficients or Beta value.

Measurement

As previously mentioned, in any research methodology, the construction of the hypotheses is dictated by the choice of the research method. Therefore, the researcher has structured the questionnaire into six parts. The first part contains information concerning the demographic profiles of the manufacturers among the Malaysian SMEs. Furthermore, the factor of Generate Enquiries becomes the second part of the questionnaire, followed by the Operations and Capacity, Human Resources and General Continuous Improvement. In respect of the literature, several items have been constructed for each variable based on indicators, as shown in table 3. The questionnaire was designed to determine
the level of best practice manufacturing among SMEs in Malaysia. Participants had to evaluate the best practice manufacturing to the manufacturing performance on a five-point Likert scale (1=Strongly disagree; 2=Disagree; 3=Agree/Disagree; 4=Agree; 5=Strongly agree).

Population and sampling

In total, the 732 SME companies that practice make-to-order in Malaysia and have been registered, constitute the population of this study. As stated by Krejcie and Morgan (1970), based on the region, 328 companies were chosen as the sample in this study. A total of 34 respondents were gathered in the East-Coast region, and 95 SMEs were visited. Meanwhile, for the South region, out of 164 SMEs that were visited, a total of 73 respondents cooperated. For the Central region – Kuala Lumpur, Perak and Selangor – a total of 350 SMEs were visited and 171 questionnaires were collected. The last is the North region, which consists of Penang, with Kedah and Perlis combined. A total of 123 SMEs were visited and 51 questionnaires were collected.

Questionnaires were distributed by visiting the respondents in companies, as well as by mail and e-mail. This questionnaire was developed to gain information from all respondents. Open-ended and Closed-ended questions were included in the questionnaire, thus allowing the respondent to use their own words and choose an answer from among the several alternative answers (Reeduan, 2011).

Results and Discussion

Description of manufacturers’ profile

In table 5, the results indicated that most companies operating in Malaysia are medium scale for which the frequency was 185, which is equal to 56.4%, and the rest are small scale with 143 respondents (43.6%). In terms of position, there is not much difference in terms of frequency and percentage. Furthermore, in respect of the number of years operated, most companies had operated for more than 10 years (58.8%), followed by 6 to 9 years (29.3%) and 1 to 5 years (11.9%). Meanwhile, in terms of location, 52.1% operated in the West region, followed by 22.0% in the South region, 55.9% in the North region, and only 10.1% operated in the East region.

Reliability

As the starting point of the relationship analysis, reliability becomes a crucial analysis in the study of consistency and stability of the questionnaire. The first run of the test, which was administered on 328 respondents, yielded a high Cronbach’s alpha value. This indicates that most of the variables investigated in this study were reliable, as shown in table 6.

R Square & ANOVA

In the relationship of best practice manufacturing and manufacturing performance, the results indicated that the multiple correlation coefficient (R) using all predictors simultaneously is 0.386 and the R² is 0.149, which means that 14.9% of the variance in manufacturing performance among SMEs in Malaysia can be predicted from the factors of best practice manufacturing, as mentioned in table 7. Moreover, the results for R square showed that most SMEs in Malaysia are still in the early stage of best practice manufacturing. However, the factors Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement are still important as well as the foundation to construct the manufacturing performance among SMEs in Malaysia.

The significance level produced by the ANOVA table showed a p value of less than 0.05 implying that the model is valid and that the result for the relationship is significant. Therefore, the hypotheses are accepted.
Relationship between variables

In studying the relationship between best practice manufacturing and manufacturing performance, the results indicate that three out of four independent variables are significantly associated, these are operations and Capacity (B=.228, p=.002), Human Resource (B=-.132, p=.030) and General Continuous Improvement (B=.234, p=.000). These findings support H2, H3, and H4. Meanwhile, the factor of General Enquiries (B=.065, p=0.310) is not significantly associated with the identification of Manufacturing Performance as claimed in H1. Therefore, the results of H2, H3, and H4 are accepted in agreement with the findings of Muda and Hendry (2003), and Chen et al. (2009).

The results of this research indicate that most SMEs in Malaysia are not totally aware of the importance of the General Enquiries factor in relation to the manufacturing performance. In fact, the indicators of General Enquiries show that most of the SMEs in Malaysia do not really integrate the functions of production and marketing in all processes, design for products, processes and improved supplier relationships, and collaborate with customers. Therefore, Malaysian SMEs, especially those companies that are involved in make-to-order have to create strong operations and marketing.

Conclusion

In summary, this study indicates that the majority of Malaysian SMEs that practice make-to-order manufacturing are seen to have benefited from the implementation of best practice manufacturing. The findings also indicate that most Malaysian SMEs are concerned about the importance of best practice manufacturing in the building of manufacturing performance in their operations. In order to predict the relationship of the independent variables and dependent variable, multiple regression analysis was used to measure the relationship in this research. The results indicate that three out of four independent variables (e.g. Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement) are significantly related to manufacturing performance. Therefore, the independent variables of best practice manufacturing become prominent as factors that contribute to the manufacturing performance in Malaysian SMEs. In general, these findings give a positive result for H2, H3, and H4, as claimed by Muda and Hendry (2003), and Chen et al. (2009). This study tried to resolve the research questions and hypotheses. As noted in the literature, Malaysian SMEs also need to develop best practice manufacturing in their operations and provide better performance in manufacturing in the context of performance appraisal, customer relationship, supply, and human resources.

In conclusion, best practice manufacturing is essential for SMEs that are involved in the make-to-order sector for long-term survival. Best practice manufacturing activities, such as Generate Enquiries/Sales, Operations and Capacity, Human Resources, and General Continuous Improvement lead to manufacturing performance. As recommended, SME manufacturers need to give more training and development courses, as well as develop the knowledge and skills with the latest production techniques.
References


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Reeduan, M (2011), “Total quality management in the small and medium sized manufacturing companies in Malaysia”, thesis report under Faculty of Management and Economy, Universiti Malaysia Terengganu


Notes

Table 1: Definition of SMEs

<table>
<thead>
<tr>
<th>Type</th>
<th>Annual Sales Turnover</th>
<th>Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than RM250,000</td>
<td>Less than 5 full time employees</td>
</tr>
<tr>
<td>Small</td>
<td>Between RM250,000 and RM10 million</td>
<td>Between 5 and 50 full time employees</td>
</tr>
<tr>
<td>Medium</td>
<td>Between RM10 million and RM25 million</td>
<td>Between 51 and 150 full time employees</td>
</tr>
</tbody>
</table>
Table 2: The factors of best practice manufacturing

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate Enquiries/sales</td>
<td>Integrate the functions of production and marketing in all processes</td>
</tr>
<tr>
<td></td>
<td>Design for products, processes and improved supplier relationships</td>
</tr>
<tr>
<td></td>
<td>Collaborate with customers</td>
</tr>
<tr>
<td>Operations and Capacity</td>
<td>Simplify the shop floor</td>
</tr>
<tr>
<td></td>
<td>Improve scheduling and workload control to cut flow times;</td>
</tr>
<tr>
<td></td>
<td>Cut the start-up/changeover time and improve preventive maintenance</td>
</tr>
<tr>
<td></td>
<td>Improve information flow</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Make essential improvements in skills and flexibility</td>
</tr>
<tr>
<td></td>
<td>Everybody involved in change and strategic planning to achieve a unified purpose</td>
</tr>
<tr>
<td>General Continuous Improvement</td>
<td>Improve quality and implement appropriate performance measures</td>
</tr>
<tr>
<td></td>
<td>Gather customer feedback and benchmarking</td>
</tr>
<tr>
<td></td>
<td>Promote/market/sell every improvement</td>
</tr>
</tbody>
</table>

Table 3: The questionnaire

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
<th>No. of Items</th>
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<tr>
<td>Independent Variable</td>
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</tr>
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<td></td>
<td>Integrate the functions of production and marketing in all processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Design for products, processes and improved supplier relationships</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Collaborate with customers</td>
<td>4</td>
</tr>
<tr>
<td>Operations and Capacity</td>
<td>Simplify the shop floor</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Improve scheduling and workload control to cut flow times</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Cut the start-up/changeover time and improve preventive maintenance</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Improve information flow</td>
<td>3</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Make essential improvements in skills and flexibility</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Everybody involved in change and strategic planning to achieve a unified purpose</td>
<td></td>
</tr>
<tr>
<td>General Continuous</td>
<td>Improve quality and implement appropriate performance measures</td>
<td>4</td>
</tr>
<tr>
<td>Improvement</td>
<td>Gather customer feedback and benchmarking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote/market/sell every improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementation of occupational health and safety system</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Design and branding</td>
<td>3</td>
</tr>
<tr>
<td>Dependent Variable</td>
<td>Manufacturing Performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manufacturing performance appraisal</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Customer relationship performance evaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supplier performance evaluation</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Human resources performance evaluation</td>
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Table 4: The population and sample

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<thead>
<tr>
<th>Region</th>
<th>Sample</th>
<th>Population</th>
</tr>
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<tr>
<td>East Region</td>
<td>33</td>
<td>95</td>
</tr>
<tr>
<td>South Region</td>
<td>72</td>
<td>164</td>
</tr>
<tr>
<td>Central Region</td>
<td>171</td>
<td>350</td>
</tr>
<tr>
<td>Northern Region</td>
<td>52</td>
<td>123</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>732</td>
</tr>
</tbody>
</table>

Table 5: The descriptive profile

<table>
<thead>
<tr>
<th>Items</th>
<th>Frequency</th>
<th>Percent</th>
<th>Items</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operation</strong></td>
<td></td>
<td></td>
<td><strong>Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>143</td>
<td>43.6</td>
<td>Top Level</td>
<td>162</td>
<td>49.4</td>
</tr>
<tr>
<td>Medium</td>
<td>185</td>
<td>56.4</td>
<td>Medium</td>
<td>166</td>
<td>50.6</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
<td>Total</td>
<td>328</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Structure of Company</th>
<th>No. of Years Operated</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single ownership</td>
<td>169</td>
<td>51.5</td>
</tr>
<tr>
<td></td>
<td>1 to 5 years</td>
<td>39</td>
</tr>
<tr>
<td>Partnership</td>
<td>109</td>
<td>33.2</td>
</tr>
<tr>
<td></td>
<td>6 to 10 years</td>
<td>96</td>
</tr>
<tr>
<td>Others</td>
<td>50</td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td>Over 10 years</td>
<td>193</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>328</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Frequency</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>East Region</td>
<td>33</td>
<td>10.1</td>
</tr>
<tr>
<td>South Region</td>
<td>72</td>
<td>22.0</td>
</tr>
<tr>
<td>North Region</td>
<td>52</td>
<td>15.9</td>
</tr>
<tr>
<td>West Region</td>
<td>171</td>
<td>52.1</td>
</tr>
<tr>
<td>Total</td>
<td>328</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 6: Reliability Analysis

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>No. of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Independent Generate Enquiries/Sales</td>
<td>12</td>
<td>.668</td>
</tr>
<tr>
<td>2</td>
<td>Independent Operations and Capacity</td>
<td>14</td>
<td>.798</td>
</tr>
<tr>
<td>3</td>
<td>Independent Human Resources</td>
<td>8</td>
<td>.707</td>
</tr>
<tr>
<td>4</td>
<td>Independent General Continuous Improvement</td>
<td>17</td>
<td>.810</td>
</tr>
<tr>
<td>5</td>
<td>Dependent Manufacturing Performance</td>
<td>15</td>
<td>.759</td>
</tr>
</tbody>
</table>

Table 7: The variance of a manufacturing performance

Model Summary\(^b\)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>R Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.386(^a)</td>
<td>.149</td>
<td>.139</td>
<td>.46416</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Improvement, HumResources, GenEnquiries, OpeCapacity

\(^b\) Dependent Variable: ManuPerformance

ANOVA\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>12.216</td>
<td>4</td>
<td>3.054</td>
<td>14.176</td>
<td>.000(^b)</td>
</tr>
<tr>
<td>Residual</td>
<td>69.587</td>
<td>323</td>
<td>.215</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>81.803</td>
<td>327</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: ManuPerformance

\(^b\) Predictors: (Constant), Improvement, HumResources, GenEnquiries, OpeCapacity

Table 8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.590</td>
<td>.324</td>
<td></td>
<td>4.908</td>
<td>.000</td>
</tr>
<tr>
<td>GenEnquiries</td>
<td>.092</td>
<td>.091</td>
<td>.065</td>
<td>1.017</td>
<td>.310</td>
</tr>
<tr>
<td>OpeCapacity</td>
<td>.279</td>
<td>.089</td>
<td>.228</td>
<td>3.123</td>
<td>.002</td>
</tr>
<tr>
<td>HumResources</td>
<td>-.142</td>
<td>.065</td>
<td>-.132</td>
<td>-2.185</td>
<td>.030</td>
</tr>
<tr>
<td>Improvement</td>
<td>.227</td>
<td>.057</td>
<td>.234</td>
<td>3.995</td>
<td>.000</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: ManuPerformance

Figure 1: The framework for the hypotheses

BEST PRACTICE MANUFACTURING

- Generate Enquiries/Sales
- Operations and Capacity
- Human Resources
- General Continuous Improvement

H1

H2

H3

H4

Manufacturing Performance

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Co-workers’ social undermining behaviour, Trust in Co-workers and employees’ work behaviours

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A. Tay, University of Malaysia, Malaysia

Abstract

This study examines the extent to which trust in co-workers mediates the relationships between co-workers’ social undermining behaviour and employees’ work behaviours. The mediating role was investigated using Structural Equation Modeling (SEM) from 502 employees in Malaysia. The SEM analysis showed that co-workers’ social undermining behaviour had indirect relationships with employees’ work behaviours via the mediating role of trust in co-workers. The results of this study highlighted the importance of curbing social undermining behaviour in the workplace in order to instil trust among employees and better work behaviours in the workplace.

Keywords: social undermining behaviour; trust in co-workers; organizational citizenship behaviour; counterproductive work behaviour; Malaysia

1. Introduction

The importance of trust in co-workers is magnified by the prevalence of teamwork and task interdependence in organizations (Lau & Liden, 2008). As employees and their co-workers have equal power, trust is considered as the hallmark of effective relationships among them. Trust is important because it is a precursor to quality social exchange relationships and it could contribute towards improving the performance of employees (Dirks & Skarlicki, 2009; Ferres, Connell, & Travaglione, 2004). Trust can affect the amount and accuracy of information sharing in a social network (Droege, Anderson & Bowler, 2003). Employees feel more comfortable to exchange information and knowledge with their co-workers when they have positive expectations of how the co-workers will utilize the information (Jones & George, 1998). Trust in co-workers is essential because employees work with others to successfully accomplish relevant task and shared goals. According to Parker, Williams, and Turner (2006), individuals who trust their co-workers are more likely to feel more in control on their work outcomes and they have higher affective commitment.

Scholars have devoted much effort to uncover the antecedents of trust. Traditionally, their work focussed mainly on perceived trustworthiness. Mayer, Davis, and Schoorman (1995) posit that the trustworthiness of trustees comprises of attributes such as their ability, benevolence, and integrity. Past research on trust has demonstrated that the three attributes contribute to the prediction of trust (Kiffin-Petersen & Cordery, 2003; Mayer & Davis, 1999; Tan & Tan, 2000). Tan and Lim (2009), using full-time agents of a life insurance company in Singapore as samples, reveal that co-workers’ benevolence and integrity factors were significantly and positively related to trust in co-workers. This study extends Tan and Lim’s work by examining co-workers’ social undermining behaviour as antecedent of trust in co-workers. The aim of the current study is to show that co-workers’ social undermining behaviour has an indirect impact on work behaviours through trust in co-workers. It is expected that when employees do not perceived themselves as the targets of co-workers’ social undermining behaviour, they would trust more in
co-workers, and thereby perform more citizenship behaviour and commit less counterproductive behaviour.

1.1 Social undermining behaviour and trust in co-workers

Negative events in organization can be critical in undermining trust (Mishra, 1996). Duffy, Ganster, and Pagon (2002) regard the experience of being the target of social undermining behaviour as a negative event. They define social undermining as a form of negative behaviour that is, ‘...intended to hinder, over time, the ability to establish and maintain positive interpersonal relationships, work-related success, and favourable reputation’ (Duffy et. al., 2002: 332). Examples of social undermining behaviour in the workplace include delaying work to make others look bad and hurting the feelings of others.

Morrison and Robinson (1997) perceive undermining behaviour as a violation of the relational contract and suggest that it may lead to serious individual and organizational consequences. Social undermining behaviour of co-workers could lead to workplace conflict as people are likely to respond to negative behaviour by retaliating with similar behaviour (Andersson & Pearson, 1999). Lau and Cobb (2010) suggest that relationship conflict between co-workers may adversely affect employees’ trust for one another. Given that relationship conflict often involves negative behaviour (Ilies, Johnson, Judge, & Keeney, 2011), it is anticipated that co-workers’ social undermining behaviour would diminish trust in co-workers.

Although trust can be examined at multiple levels such as at the individual (e.g., supervisors, teammates, and co-workers), organisational, inter-organisational, and international levels, the present study focuses on trust in co-workers. Tan and Lim (2009) adapt Mayer et. al.’s (1995) definition of trust and define trust in co-workers as, ‘...the willingness of a person to be vulnerable to the actions of fellow co-workers whose behaviour and actions that person cannot control’ (p. 46). Co-workers may be the employee’s team members, but not necessarily so. The term ‘co-workers’ in this study encompasses employees who work in the same department and report to the same boss; they do not necessarily belong to the same team.

The relationships between employees and their co-workers entail equality matching (Fiske, 1992). According to Fiske, if an individual provides emotional and behavioural resources to another party, the individual expects that the other party would return a similar and relatively equal amount of resource in the future, even with an unspecified obligation. This shows that interactions between employees and their co-workers are based on reciprocity (Gouldner, 1960). Since there is no guarantee of reciprocation, trust is therefore central to exchanges between employees and their co-workers.

1.2 Organizational citizenship behaviour and counterproductive work behaviour

The importance of organizational citizenship behaviour (OCB) and counterproductive work behaviour (CWB) is widely recognized in more recent research literature (e.g., Johnson, Tolentino, Rodopman, & Cho, 2010; Le et. al., 2011). OCB refers to employees’ extra role behaviour that improves the functioning of an organisation (Organ & Paine, 1999). CWB, on the other hand, denotes voluntary acts by an employee that harms, or at least intended to harm, the legitimate interests of an organisation and/or its members (Sackett & DeVore, 2002). Both OCB and CWB may be directed at the organisation or at any specific individuals within the organisation such as the supervisors and the co-workers (Dalal, Lam, Weiss, Welch, & Hulin, 2009). Past research has noted that OCB and CWB are distinct constructs (Dalal, 2005).

According to the social exchange theory (Blau, 1964; as cited in Wayne, Shore, & Liden, 1997), there is an unspoken obligation to reciprocate quality social interactions. Consistent with the theory, past research has noted that employees are more likely to engage in OCB whenever they trust that their employer would act in their interests (Organ, 1998). In addition, studies on
workplace social exchange relationships suggest that employees tend to exhibit OCB to reciprocate high quality leader-member exchange relationships (Illes, Nahrgang, & Morgeson, 2007). Likewise, employees are more likely to help others in their groups when they have high quality team-member exchange (Kamdar & Van Dyne, 2007).

According to Penney and Spector (2005), job stressors such as heavy workload, interpersonal conflict, and organisational constraints could elicit negative emotions such as anger, because the job stressors could prevent employees from achieving desired objectives, and may in turn lead to job strains such as CWB. Mount, Ilies, and Johnson (2006) report that job dissatisfaction is related to both the organisation-targeted CWB (CWBO) and individuals targeted CWB (CWBI). This is because when individuals are dissatisfied with their jobs, they are likely to reciprocate with negative work behaviour or exert less effort in their work.

Past literature suggest that employees’ trust in the organisation mediates the relationships between negative experiences at work and various attitudes and behaviours of employees. According to Lo and Aryee (2003), trust in organisation mediates the relationships between psychological contract breach and employees’ psychological withdrawal behaviour, civic virtue, and turnover intentions. Similarly, Montes and Irving (2008) show that organisational trust mediates the relationships between relational contract breach and employees’ outcomes such as satisfaction, feelings of violation, and employment intentions.

It is anticipated that when employees experience co-workers’ social undermining behaviour, they would lose trust in their co-workers, and they in turn are more likely to retaliate by engaging more in CWB and less in OCB. This is perhaps the first study to determine if trust in co-workers mediates the relationships between co-workers’ social undermining behaviour and employees’ work behaviours.

2. Research model and hypotheses development

The aim of this study is to empirically test the role of trust in co-workers as a mediating variable between co-workers’ social undermining behaviour and employees’ work behaviours. Figure 1 shows the research model of this study. It illustrates diagrammatically the relationships among the constructs in this study.

![The research model](image)

**Figure 1:** The research model.

The social information processing theory suggests that individuals’ behaviour may be influenced by cues or social information from the social environment and through observations of the behaviour of others (Salancik & Pfeffer, 1978). Past studies predominantly focussed on the
positive aspects of workplace relationships such as social support, leader-member exchange (LMX), mentoring relationships, and helping behaviour. Relatively less attention has been devoted to the social undermining behaviour in the workplace (Duffy et al., 2002). Such behaviour may adversely affect individual and organisational well-being. According to Duffy et al. (2002), supervisors’ social undermining behaviour leads to decreased organisational commitment. Crossley (2009) suggests that it is crucial to understand the victims’ reactions to social undermining behaviour in order to promote healthy relationships, increase trust and cooperation, and prevent conflicts in the workplace.

Previous research suggests that unpleasant experiences at work could be related to the lack of trust. Experiences of psychological contract violations, according to Robinson (1996), are negatively related to trust within an employee-employer relationship. Similarly, Hill, Eckerd, Wilson, and Greer (2009) report that unethical buyer’s behaviour is negatively related to trust in the buyer in a buyer-supplier relationship. Besides, past research has demonstrated that trust could be undermined through job stressors. For instance, relationship conflict among team members contributes to lower trust in team members (Langfred, 2007). Likewise, Lau and Cobb (2010) hypothesize that relationship conflict with co-workers could negatively affect trust in co-workers.

Social undermining behaviour refers to intentional discourteous behaviour in the workplace intended to demolish other parties’ favourable reputation, their ability to carry out their work, or their ability to build and sustain positive relationships (Duffy et al., 2002). Such behaviour therefore could be regarded as a job stressor. Job stressors often trigger negative emotional responses such as anger in an individual (Fox, Spector, & Miles, 2001), thereby could lead to dissolution of trust (Dunn & Schweitzer, 2005; Kiefer, 2005). We therefore hypothesize the following:

**Hypothesis 1:** Co-workers’ social undermining behaviour is negatively related to trust in co-workers.

Trust influences employees’ behaviour towards others at work and plays an important role in social exchange among organisational members (Rubin, Bommer, & Bachrach, 2010). Organ (1990) indicates that employees are more likely to reciprocate positive treatment they received from others by engaging in citizenship behaviour. The reciprocation is generally based on the beliefs or expectations that the others will fulfil their obligations in the future (Coyle-Shapiro, 2002; Konovsky & Pugh, 1994). A meta-analysis by Colquitt et al. (2007) summarizes the impact of trust on employees’ job performance. They conclude that employees who trust their managers have better task performance, engage more in OCB, and commit less CWB.

Trust in supervisor has been shown to be related to the supervisor-directed citizenship behaviour (Wech, 2002). Researchers suggest that employees who trust their supervisors are more likely to engage in OCB (e.g., Dirks & Ferrin, 2002; Mayer & Gavins, 2005; Poon, 2006). There is also some empirical support that trust in co-workers is positively related to individual’s OCB. Through a longitudinal study, Choi (2006) reports that trust among organisational members tend to increase employees’ helping behaviour (i.e., one of the OCB dimensions). Trust in co-workers, according to Parker et al. (2006), is related to proactive work behaviour (i.e., a behaviour that encompasses both task performance and OCB). In addition, Settoon and Mossholder (2002) show that trust in co-workers is positively related to individuals directed OCB.

As high quality social exchanges between employees and their co-workers are likely to have spill over effect on the organisation (Chiaburu & Harrison, 2008), we expect that employee’s trust in co-workers is positively related to co-workers directed OCB (OCBC) and organisation-directed OCB (OCBO). We hypothesize the following:
Hypothesis 2: Trust in co-workers is positively related to (a) co-workers directed OCB (OCBC) and (b) organisation-directed OCB (OCBO).

Past research has noted that trust in organisation could help to lower employees’ withdrawal behaviour such as absenteeism, lateness, and turnover (Beehr & Gupta, 1978). According to Ferres et. al. (2004), trust in co-workers is negatively related to intention to leave. Taken together, previous work demonstrates that trust could mitigate the occurrence of undesirable behaviour in the workplace.

Trust in senior management, according to Thau, Crossley, Bennett, and Sczesny (2007), is significantly and negatively linked to antisocial work behaviour. They suggest that CWB falls under the broader construct of antisocial work behaviour. Besides, according to the authors, employees tend to act in ways that protect their self-interests such as taking property from work without permission when there is little trust in the management.

Accordingly, we hypothesize that when employees trust their co-workers, they are less likely to engage in co-workers targeted CWB (CWBC) and organisation-targeted CWB (CWBO). This leads to the following hypothesis:

Hypothesis 3: Trust in co-workers is negatively related to (a) co-workers targeted CWB (CWBC) and (b) organisation-targeted CWB (CWBO).

Spector and Jex’s (1998) job-stress model proposes that job stressors could trigger negative emotions, and thereby may results in negative responses to the stressors. Cole, Walter, and Bruch (2008) examined the relationship between team behaviour and team performance using a sample of 61 teams in a manufacturing company. The authors report that dysfunctional behaviour in work teams is negatively related to team performance through the mediating role of teams’ negative feelings such as anger and anxiety.

Jones (2009) investigated the relationship between organisational justice and counterproductive work behaviour (CWB). According to the author, desires for revenge against the organisation significantly mediate the relationship between perceived procedural injustice and organisation-targeted CWB. In addition, he finds that desires for revenge against the supervisor significantly mediate the relationship between perceived interactional injustice and supervisors-targeted CWB. According to Jones, perceived injustice motivates employees to harm the source of mistreatment because it shows that the organisation or the supervisor cares little about them. Employees thus tend to engage in CWB in response to their desire for revenge.

Using a sample of 203 employees in a property management company, Miner-Rubino and Reed (2010) indicate that trust in organisation significantly mediates the relationships between workplace incivility and employees’ outcomes such as job satisfaction, job burnout, and turnover intentions. According to the authors, when employees experience rude behaviour in the workplace, they tend to lose trust in the organisation. This in turn would cause them to feel dissatisfied with their jobs and increase their intention to withdrawal from work. In addition, Jehn, Rispen, and Thatcher (2010) show that task conflict is related to negative group environment such as lower levels of trust towards other group members. This in turn may negatively affects individual’s performance and satisfaction with the group. We therefore anticipate that co-workers’ social undermining behaviour is likely to diminish trust in co-workers, and thereby discourage them to perform more OCB and encourage them to engage more CWB. This leads to the following hypothesis:

Hypothesis 4: Trust in co-workers mediates the relationships between social undermining behaviour and (a) co-workers directed OCB (OCBC), (b) organisation-directed OCB (OCBO), (c) co-workers targeted CWB (CWBC), and (d) organisation-targeted CWB (CWBO).
3. Method

3.1 Samples

A total of 596 employee and 580 co-worker questionnaires were respectively distributed in ten private organisations located in Kuala Lumpur and the state of Selangor. Of these, 502 employees and 383 co-workers returned the completed and usable questionnaires. The multi-source data were used to reduce the problem associated with common method variance.

3.2 Research measures

**Co-workers’ social undermining behaviour** was evaluated by 13 items that were developed by Duffy *et. al.* (2002). The internal consistency reliability of this scale in their study was .90. An example of their original co-workers’ undermining items is, ‘Talked bad about you behind your back.’ To enable the employees to assess their co-workers, the item was rephrased as, ‘My co-workers talked bad about me behind my back.’ The employees responded to these items on a 7-point scale (1 = never, 7 = always).

**Trust in co-workers** was assessed using four-item trust scale developed by Mayer and Davis (1999). They reported an internal reliability of .69 for this scale. The participating employees responded whether they agreed or disagreed with four statements such as ‘I would be comfortable giving my co-workers a task or problem which was critical to me, even if I could not monitor their actions’.

**Organisational citizenship behaviour (OCB)** was assessed using items adapted from Lee and Allen’s (2002) measure of organisation-directed OCB (OCBO) and individuals directed OCB (OCBI). They reported a Cronbach’s alpha of .88 for OCBO and .83 for OCBI in their original study. An example of their original OCBO items is, ‘Show pride when representing the organisation in public.’ To enable the supervisors to evaluate the employees’ OCBO, the item was rephrased as, ‘This employee shows pride when representing the organisation in public.’ The OCBI items were also rephrased to enable the co-workers to evaluate the participating employees’ co-workers directed OCB (OCBC). An example of the authors’ original OCBI items is, ‘Helps others who have been absent.’ was rephrased as, ‘This employee helps other co-workers who have been absent.’ The items had seven response options ranging from 1 = never to 7 = always to measure how often the employees are engaged in OCBO and OCBC.

**Counterproductive Work Behaviour (CWB)** was measured using a 19-item scale by Bennett and Robinson (2000). The authors reported Cronbach’s alphas of .81 and .78 for the organisational deviance and interpersonal deviance scales, respectively. In this study, the items were rated on a 7-point scale ranging from 1 = never to 7 = always. An example of Bennett and Robinson’s original organisational deviance items is, ‘Taken property from work without permission.’ To enable the supervisors to clearly evaluate the employees’ organisation-targeted CWB (CWBO), the item was rephrased as, ‘This employee took property from work without permission.’ An example of the authors’ original interpersonal deviance item is, ‘Acted rudely towards someone at work.’ To allow the co-workers to clearly evaluate the employees’ co-workers targeted CWB (CWBC), this item was rephrased as, ‘This employee acted rudely towards other co-workers at work.’

An exploratory factor analysis of the items used to assess the variables showed that these items represented discrete scales. All items loaded on the expected factor, each with loadings greater than .40 on that factor and less than .30 on any other factor.
3.3 Data analysis strategy

Structural Equation Modeling (SEM) was used to empirically examine the relationships among the variables. A large chi-square ($\chi^2$) value generally indicates that the model does not adequately fit the data. Models are generally accepted when their chi-square ratios (i.e., chi-square divided by degrees of freedom) are two or less (Arbuckle, 1997, as cited in Colquitt, 2001). The comparative fit index (CFI) above .900 is often associated with the desired model fit (Bentler, 1990; Hair, Black, Babin, Anderson, & Tatham, 2010). In addition, lower values of the root mean square error of approximation (RMSEA) and the standardised root mean residual (SRMR) tend to suggest a better model fit. In general, the RMSEA of less than .08 and the SRMR of below .10 are preferred (Vandenberg & Lance, 2000).

4. Results

Table 1 shows the descriptive statistics and zero-order correlations for the major variables. Overall, these zero-order correlations support the model proposed. However, to test the model, we conducted a series of structural equation models. We tested the hypothesized structural model using the IBM SPSS Amos 18 program. Multiple indices of fit were calculated to assess the models (Kelloway, 1996). The hypothesized model provided a good fit to the data, $\chi^2$ was 2321.34 with 1120 degrees of freedom, and a normed chi-square of 2.07. The CFI was .917, TLI was .913, with a SRMR of .06, and a RMSEA of .05.

Table 1: Means (M), Standard Deviations (SD), and Correlations of Major Variables (N=502).

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>SU behaviour</td>
<td>3.00</td>
<td>19.32</td>
<td>(.97)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust in co-workers</td>
<td>5.70</td>
<td>2.21</td>
<td>-.17**</td>
<td>(.73)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCBC</td>
<td>5.75</td>
<td>3.97</td>
<td>-.08*</td>
<td>.49**</td>
<td>(.82)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCBO</td>
<td>4.93</td>
<td>4.18</td>
<td>-.04</td>
<td>.16**</td>
<td>.13**</td>
<td>(.86)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CWBC</td>
<td>1.55</td>
<td>2.40</td>
<td>.05</td>
<td>-.15**</td>
<td>-.19**</td>
<td>-.06</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>CWBO</td>
<td>1.79</td>
<td>7.01</td>
<td>.05</td>
<td>-.14**</td>
<td>-.12**</td>
<td>-.04</td>
<td>.36**</td>
<td>(.90)</td>
</tr>
</tbody>
</table>

Note. Coefficients alpha are in parentheses. SU behaviour = social undermining behaviour; OCBC = co-workers directed OCB; OCBO = organisation-directed OCB; CWBC = co-workers targeted CWB; CWBO = organisation-targeted CWB. *p < .05. **p < .01.

Figure 2 shows the significance pathways for the model. As predicted in Hypotheses 1, co-workers’ social undermining behaviour was found to have a significant and negative direct relationship with trust in co-workers ($\beta = -.18$, p < .001).

![Social Undermining Behaviour](#) -> Trust in Co-workers (\(\beta = -.18\)) -> Co-workers directed organisational citizenship behaviour (OCBC) (\(.62\))

Social Undermining Behaviour

Trust in Co-workers

Co-workers directed organisational citizenship behaviour (OCBC)

Organisation-directed organisational citizenship behaviour (OCBO)

Co-workers targeted counterproductive work behaviour (CWBC)

Organisation-targeted counterproductive work behaviour (CWBO)

Figure 2: The final model (standardized path coefficients).
In relation to Hypotheses 2a and 2b, trust in co-workers was reported to be positively linked to employees’ OCBC and OCBO, with $\beta = .62$, $p < .001$ and $\beta = .21$, $p < .001$, respectively. Hypotheses 3a and 3b was also supported as trust in co-workers was significantly related to CWBC and CWBO, with $\beta = -.23$, $p < .001$ and $\beta = -.20$, $p < .001$, respectively.

Hypotheses 4a-d were supported as trust in co-workers fully mediated the relationship between co-workers’ social undermining behaviour and OCBC ($B = -.11$); between co-workers’ social undermining behaviour and OCBO ($B = -.04$); between co-workers’ social undermining behaviour and CWBC ($B = .04$); and between co-workers’ social undermining behaviour and CWBO ($B = .04$).

5. Discussion

The results of this study revealed that co-workers’ social undermining behaviour was significantly and negatively related to employees’ trust in co-workers. The findings suggested that co-workers’ negative behaviour would diminish trust in co-workers. Co-workers’ social undermining behaviour could negatively influence the employees’ social work environment. Mistreatment in the workplace, according to Barling (1996), could create the feelings of fear and distrust among one another. Cole et al. (2008) affirm that the presence of dysfunctional behaviour in a team creates team-members’ negative emotional reactions such as anger and disgust. Langred (2007) reveals that relationship conflict in self-managing teams is negatively related to trust in team members. Similarly, Lau and Cobb (2010) suggest that relationship conflicts among the co-workers have a negative relationship with trust in co-workers. As interpersonal conflicts include the rude and social undermining behaviour (Ilies et al., 2011), the findings of this study tend to suggest a negative relationship between co-workers’ social undermining behaviour and trust in co-workers.

The results of this study showed that trust in co-workers was related to employees’ OCB and CWB. Trust in co-workers was found significantly and positively related to both co-workers directed OCB (OCBC) and organisation-directed OCB (OCBO). These findings are consistent with the past research that supports the relationship between trust and OCB (e.g., Love & Forret, 2008; Yakovleva, Reilly, & Werko, 2010). According to Choi (2006), trust in co-workers is significantly and positively related to employees’ helping behaviour (i.e., a sub-dimension of OCB). Lau and Cobb (2010) explain that trust is necessary for reciprocal exchange among the individuals at work as it would lead to more organisational citizenship behaviour. According to Konovsky and Pugh (1994), employees are likely to engage in OCB as long as they expect that their co-workers would fulfil their obligations and provide reciprocal benefits over time. This study thus extended findings of previous research by suggesting that trust in co-workers not only has a positive relationship with co-workers directed OCB (OCBC), but also with organisation-directed OCB (OCBO). The results tend to indicate that the presence of trust in co-workers would benefit the organisations and their members.

The findings of this study showed that trust in co-workers was significantly and negatively related to both co-workers targeted CWB (CWBC) and organisation-targeted CWB (CWBO). Colquitt et al.’s (2007) meta-analysis reveals that trust has a significant and negative relationship with employees’ CWB. Bowler and Brass (2006) posit that employees would engage less in co-workers targeted CWB (CWBC) and organisation-targeted CWB (CWBO) when they view their co-workers favourably. When employees trust their co-workers, they would hesitate to harm their co-workers and organisations. Trust is perhaps important to build and maintain long-term social exchange relationships (Konovsky & Pugh, 1994; Settoon & Mossholder, 2002).

This study also showed that co-workers’ social undermining behaviour has indirect relationships with employees’ job performance. The relationships were fully mediated by trust in co-workers. These findings supported the important role of trust in co-workers in the relationships between
co-workers’ social undermining behaviour and employees’ job performance. The findings corroborated a similar work by Robinson and Morrison (1995) who indicate that the relationship between perceived contract violation and civic virtue is mediated by trust in one’s employer. They warn that a sense of unfair treatment could lead to an erosion of trust, and thereby increased the likelihood that the employees would engage in more CWB and less OCB. The results of this study are consistent with Miner-Rubino and Reed’s (2010) findings that trust mediated the relationship between workplace incivility and a range of employees’ work outcomes such as job satisfaction, turnover intentions, and burnout. The co-workers’ social undermining behaviour could cause employees to distrust the co-workers, and distract them from focusing on performing well at work.

In summary, the findings of this study tend to suggest that the more employees trust their co-workers, and the more they were perceived to engage in more OCB. They were also less likely to engage in CWB. Apart from that, the results indicated that co-workers’ social undermining behaviour could diminish trust in co-workers, and thereby negatively affect employees’ work behaviour.

6. Conclusion

This study is probably the first to broaden the focus of social undermining behaviour research and present a scenario of how co-workers’ social undermining behaviour indirectly influences employees’ job performance. Duffy et al. (2002) did not find significant relationships between co-workers’ social undermining behaviour and employees’ outcomes such as self-efficacy and organisational commitment. The results of this study demonstrated that that trust in co-workers fully mediated the relationships between co-workers’ social undermining behaviour and employees’ job performance. This finding was important because it suggested that co-workers’ social undermining behaviour could have indirect effects on employees’ outcomes, via the mechanism of trust in co-workers.

The findings highlighted the importance of reducing social undermining behaviour in the workplace. The presence of social undermining behaviour would weaken the relationships between employees and their co-workers because they will lose trust among themselves. In addition, co-workers’ social undermining behaviour could negatively affect employees’ job performance. Managers should therefore take the appropriate strategies to prevent the occurrence of social undermining behaviour in the workplace by promoting trust among the employees. Preventive actions may include proactively resolving conflicts at work, communicating positive behavioural norms, encouraging employees to engage in productive activities, and eliminating unsavoury role models. Management could provide training programmes to equip managers with the necessary skills to effectively intervene and overcome social undermining behaviour in the workplace.

7. References


Examining the Impact of Workforce Reduction on Surviving Employees in the Egyptian Organization

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Abstract
This present study aims at investigating the impact of downsizing on organizational survivors in the Egyptian organization. It aims at unleashing the impact of procedural justice on symptoms of survivor syndrome. It was hypothesized that higher levels of perceived procedural justice lead to higher levels of organizational attachment, less levels of voluntary turnover. To answer proposed research questions, a mix of quantitative and qualitative methods was implemented to determine the impact of procedural justice on symptoms of survivor syndrome. The results obtained from the sample (N=101) survivors supported previous hypotheses and reflected the fact that when survivors perceive layoffs to be unfairly implemented, they suffer from high symptoms of survivor syndrome.

Keywords: downsizing, layoffs, survivors, Survivor Syndrome, job security, procedural Justice, attachment, voluntary turnover, absenteeism

1. Introduction
Downsizing is a word which describes a widely implemented strategy by most organizations nowadays. It evolved due to increased reliance on modern machines and equipment rather than manual efforts by workforce. Global competition has become such fierce that it became critical fact for some organizations whether in public or private sectors to lay off their employees just to maintain their market share and competitive advantages (Appelbaum et al, 1999a). Various definitions to downsizing were proposed by different researchers at different time periods. However, all definitions exhibit the simple fact that downsizing practices are widely implemented by firms in both private and public sectors as the most formal restructuring effective strategy which helps them realize higher profits, higher share prices, and maintain their competitive position. This strategy is aiming at overcoming managerial difficulties, and adapting to environmental shifts (Tsai et al, 2006). More detailed definitions are presented and discussed below.

Cascio (1993) explained the word downsizing which refers to the previously intended eradication of jobs and positions within organizations. He explained how jobs include set of similar duties within meant positions like Programmers. That is why downsizing is not about only eliminating employees; it might include elimination of other functions, processes or hierarchical layers, or even whole systems or departmental units within organization. While Budros (1999) emphasized the permanent nature of this reduction in employee numbers with the conscious intention to achieve sought benefits in terms of improved internal efficiency and effectiveness. Budros (1999) stated that the core of downsizing process is the consciousness of those permanent reductions. He further explained how efficiency is measurement of how organizations are able to achieve their stated goals with best allocation of their resources (Budros, 1999).

Appelbaum et al (1997) stated that downsizing is a planned set of activities undertaken by top management aiming at eliminating some jobs, realizing cost savings; maintain smoother operational procedures business processes to improve its internal efficiency and effectiveness. An example of IBM which illustrates those competitive aspects was mentioned by Beylerian and Kleiner (2003) who viewed IBM’s full employment strategy in the early 1980s with no lay-offs for about forty years no single employee was laid off although it employed about 405,000 employees. When IBM began to face strict competition from new competitors like Apple and Microsoft, it had to downsize to survive.
within this changing environment. This example shows how downsizing is a critical strategy for firms in the whole industrial world to survive, and a necessary response to rapidly changing environment. It was mentioned that downsizing is a result of new economy which revolutionized the workplace not only in US firms but in the whole world (Beylerian and Kleiner, 2003).

From the above mentioned definitions, it might be thought that downsizing is simply about restructuring organizations. However, the term restructuring is about fundamental and radical changes in the whole organization; its strategy, employees, and processes, so it is a broader term. Downsizing is a strategy used by organizations which aim at designing smoother business processes, less costs to achieve efficiency as stated by Carbery and Garavan (2005). The difference between organizational restructuring and downsizing was highlighted by Budros (1999) who tried to omit the belief that both terms were synonymous; he mentioned that organization’s structure is about how individuals are distributed within their unique positions and how they have various roles and interactions carried on. This means that organizational structure as a term refers to formal hierarchies inside organizations, so restructuring indicates changes in hierarchical layers and redistributing units, divisions and ways tasks are organized, while downsizing is about reduction in entire size of the organization, whether this reduction is achieved by laying-off employees or functions. So both actions could have some ties but it is important to differentiate between resulted outcomes, whether they are alternation of processes and structures or contraction in size and number of employees (Budros, 1999).

Downsizing is a controversial matter which received much attention over the years (Beylerian and Kleiner, 2003). Some researchers believe that layoffs are the sole response to meet rapidly changing competitive environment. For example: Appelbaum et al, 1999a believed that downsizing is mainly implemented due to its sought financial and economic benefits which are cost savings, elimination of extra hierarchal positions which is believed to increase productivity, improve efficiency and effectiveness, and enhance the firm’s market value (Appelbaum et al, 1999a). On the other hand, layoffs are seen as only strategies which are taken by heartless strict executives who just do not care about their employees as downsizing is not the ultimate means to reduce costs; it might incur costs much higher than its desired returns due to replacement incurred expenses and severance packages like Nynex which incurred about 3 billion dollars in terms of severance packages payments, so the targeted costs reductions desired were met by only less than half of firms which implemented downsizing as a cost reduction strategy (McKinley et al, 1995). It was further stated that expected contributions of downsizing to improving productivity are limited; as when firms lay off their employees, they lose firm-specific skills of these employees which negatively affect the firm’s productivity. That is why about only 22% of companies which downsized have realized improvements in their post-downsizing productivity (McKinley et al, 1995). When downsizing is mentioned, it is important to consider two types of employees, those laid-off who are called victims, and those remaining employed who are called survivors. It is important to consider human aspects related to downsizing process due to its impact on both victims and survivors within the organization. However, it is relatively more important to focus on surviving employees who remain within the organization and help it operate and reach its intended goals. The effects of layoffs on survivors are various; they can be either as a sense of appreciation among survivors who feel grateful as they maintained their secured jobs, or those as a sense of increased stress, and increased work load (Levitt et al, 2008). Many previous studies illustrated how downsizing negatively affects surviving employees within organizations through reducing their commitment, loyalty, and attachment to management. Those survivors carefully detect how management treats other laid off workers, then based upon the perception whether victims were fairly compensated or not, survivors shape their reactions and post-downsizing behaviors (McKinley et al, 1995). Some factors are affecting the degree to which negative responses are exhibited by survivors like procedural justice, distributive justice, clear communication, trustworthiness in management, and employee empowerment (Spreitzer and Mishra, 2002; Clay-Warner et al, 2005; Thornhill et al, 1996). However, perceived justice whether procedural or distributive has major impact on post-layoff responses according to the justice theory, the main difference between procedural and distributive justice lies in which employees are affected by the lay-off; as procedural justices is major predictor of post-layoff
responses among survivors, while distributive justice predicts responses among downsizing victims (Sahdev, 2004).

1.1 Research Importance and Objective

According to this anticipated strong link between downsizing and survivors who are affecting overall organizational performance after layoffs; the purpose of the thesis is to identify the impact of downsizing practices on survivors within Egyptian organizations. The specification of Egyptian organizations in this study is based upon two main reasons:

First, Egypt is a developing country which has slow rates of economic growth and high rates of economic recession and inflation. And according to the literature on downsizing, if a certain region or country is facing economic recession, downsizing becomes the perfect strategy sought to survive within the declining economy (Selmer and Waldstrom, 2009). This aspect was further explained by Appelbaum et al (1997) who illustrated how the planned decision to lay off employees is taken with the intention of realizing costs reductions through jobs which are eliminated, and maintaining internal efficiency through better utilizing available limited resources (Appelbaum et al, 1997). So firms which face financial problems during economic downturns aim to avoid undesirable conditions by dismissing their employees (Said et al, 2007). Second, Egypt has lately witnessed many major changes on social, political, and economic levels; these changes were driven by the 25th January revolution in 2011. The political instability in the country forced some companies both foreign and local to shutdown their operating units, and dismiss some employees. Therefore, based on these reasons, Egypt is nominated to be in need for such type of studies due to the importance of the downsizing issue currently in Egyptian labor market, and the need to consider the human factor in more careful ways. Moreover, the importance of studying such effects on those survivors is due to the fact that survivors are a factor that determines the efficiency and effectiveness of the organization’s performance on the long run after it implements downsizing; they are supposed to hold new responsibilities and therefore they need enhanced skills to meet these new tasks (Carbery and Garavan, 2005).

1.2 Structure of the Thesis:

This thesis consists of seven main chapters. The first chapter is the introduction which provides a general overview of most common definitions and interpretations for the word downsizing. Some authors’ views which compared downsizing to other terms like organizational decline, restructuring are also discussed. The second chapter is the literature review which includes a detailed discussion of major factors driving organizations to undertake downsizing practices; it states major approaches to downsizing, and most commonly implemented downsizing strategies and tactics along with explaining how approaches and strategies are closely related. After that some theoretical perspectives on downsizing and their interdependence are explained. The second part of the review provides an overview on survivors; factors affecting their responses, four archetypes of survivors’ responses are also discussed along with four general types of organizational survivors, then the following part discusses various psychological impacts of downsizing practices on organizational survivors. Then the research gap is discussed; which aspects were not fully covered and considered in previous literature on downsizing’s relation to survivors within the organization, the third chapter includes the proposed methodology that will be applied to answer the research question of the paper, and the findings and discussion about the whole research represent the fifth section in the research. Then the conclusion is presented, and then the references as the sixth chapter. Finally, the appendix includes the questionnaire which was used to answer the research question, and the interview’s questions and answers. Moreover, the tables, charts used in the data analysis are attached in the appendix.
2. Literature Review

The following section introduces information about downsizing; its various definitions, some factors affecting management’s decision to lay off its employees, some approaches to downsizing, strategies to implement it, and some famous perspectives on downsizing.

2.1 Overview on Downsizing

As mentioned in the introduction, downsizing has various definitions indicating similar aspects; it refers to shrinking staff and personnel size within some organizations aiming at improving their organizational performance. These organizations can also cut off other resources like capital and assets to better adapt to faced opportunities and available resources (Dewitt, 1993). Freeman and Cameron (1993) suggested another definition to downsizing which is considered as means followed by management to realize productivity increase, and maintain their organization’s competitive position. So it is viewed as a strategy affecting the whole organization. Other terms were used to describe downsizing like redundancy, re-organization, rationalization, revitalization, and rightsizing (Tsai and Yen 2008; Petzall et al 2000). Said et al (2007) believed that downsizing in today’s new economy has become a custom which is implemented by firms which face financial problems, or aim at improving their levels of internal efficiency and effectiveness. This modern view is not the same as traditional view on downsizing which was a solution which is taken by firms that were threatened by undesirable conditions (Said et al, 2007). McKinley et al (1995) stated that more than eighty five percent of American Firms undertook downsizing practices for their white-collar employees between 1987 and 1991, while in 1993 more than 350,000 workers were laid off.

Another important aspect to consider when studying the literature on downsizing; sometimes both organizational downsizing and organizational decline are considered as synonyms. That is why McKinley et al (2000) explained the difference between organizational decline and downsizing, and how each has different reasons; organizational decline is caused by factors that are not controllable by management such as environmental changes which weaken and reduce the company’s resources, while downsizing is an intentional planned for actions taken by management which cuts off its personnel (McKinley et al, 2000). Furthermore, there are some symptoms that indicate organizational decline were further discussed by Freeman and Cameron (1993) who stated that these reasons were the inability of management to adapt to environmental changes, less available budgets, and increased competition with other organization. Moreover, decline might not entail personnel layoffs; as it is more likely to negatively affect organizational performance and efficiency so firms might keep their employees. It means that the practice of dismissing employees sometimes is a result of organizational decline (Freeman and Cameron, 1993).

Greenhalgh et al (1988) had another perspective at this assumed relation between organizational decline and downsizing activities; they assumed that downsizing is a strategy to face organizational decline especially when it is a matter related to rare resources which force organizations to narrow their operational scope by laying-off their workers and employees with the goal of maintaining their market position and provided services and products. These lay-offs entail many tangible costs related to insurance payments, and monetary support for out-placed workers along with other intangible costs related to job insecurity and adverse reactions which might be exhibited by surviving employees who lost their trust in management (Greenhalgh et al, 1988). Some key attributes describing main characteristics of downsizing were mentioned by (Freeman and Cameron, 1993; Appelbaum et al, 1999c) who mentioned that downsizing is an intended planned for decision made by management, it is mainly about layoffs whether they were conducted through voluntary retirement programs or obligatory transfers. These actions can affect single departments or the whole entire organization. Moreover, they aim at improving performance and efficiency (Freeman and Cameron, 1993; Appelbaum et al, 1999c).
2.1.1 Factors affecting Downsizing

Downsizing as a phenomenon is attributed to various factors. These factors were explained by many researchers like (Budros, 1999; Carbery and Garavan, 2005; Dewitt, 1993) who had many perspectives on reasons which forced companies to dismiss their employees. More detailed review of these factors is presented below:

Some authors believed that technological advancements and new innovations were the driving factors causing downsizing to occur; Budros (1999) perceived downsizing as a form of organizational innovation which refers to new internally integrated systems, policies, or programs which can be procured or created within the organization which firstly implement them. As downsizing includes radical changes in organizational structures and hierarchical processes, so it could be considered an innovation system. It is a strategy adopted by many firms which believe it is the best way to improve their productivity, efficiency, profitability and productivity (Budros, 1999; Carbery and Garavan, 2005). The same aspect was mentioned by Appelbaum et al 1999a who stated that technological advancement and innovations are major factors which affect firms’ tendency to cut off its personnel due to increased global competition. However, the impact of technological advancements and organizational innovation nowadays is different from how it was years ago. Years ago, technology led to increased tendency to hire new workers, but nowadays it leads to laying-off employees. This contradiction is not driven by the technology developed, but is rather driven by the fact that some tasks which were previously done by employees who used to gather, analyze, and share information are now done mainly by new communication technological means, therefore those workers are no longer needed (Appelbaum et al, 1999a).

Meanwhile, Cross and Travaglione (2004) stated that “Downsizing has become one of inevitable outcomes of operating in a global fierce economy where continuous adjustments to products, services, and labor prices are needed to maintain current existing competitive advantage by companies which have the desire to survive in a changing business environment, adapt to up-to-date technologies, and realize economies of scale. They stated that neither organizational decline nor declining profits were only driving factors for downsizing. It was mentioned that organizations try to meet environmental conditions through outsourcing, temporary workforce employed, mergers and acquisitions, business process reengineering. These factors increased the reputation of downsizing as a strategic action (Cross and Travaglione, 2004; Dewitt, 1993; Tsai and Yen, 2008).

While Band and Tustin (1995) believed that downsizing represents solely an aspect of the overall implemented strategy to realize two major ends which are the long run market repositioning of the company, and raising the productivity of employees individually (Band and Tustin, 1995). These claims were emphasized by Tzafrir et al (2006) who stated that recession was the major factor driving downsizing systematic set of activities which take a more defensive and reactive nature when downsizing is caused by financial problems which affect both internal system and external environment of the organization (Tzafrir et al, 2006). Moreover, this overall implemented strategy was further explained by Budros (2002) who mentioned that there are two factors which affect the firm’s choice of certain downsizing strategy. The first factor is the degree of employees’ protection within their firm; if employees are forced to leave through involuntary downsizing, they are less protected due to less control they hold towards their economic job well-being. While if their firms implement voluntary non-lay off strategies, survivors are well-protected due to possessed control over their job continuity. The other factor is the degree of importance of short-term savings in costs. The involuntary downsizing helps the firm realize high cost savings as the firm does not pay its laid off employees leave payments, while relatively low cost savings derive from voluntary downsizing due to long time and high monetary payments made for employees’ retirement programs( Budros, 2002).
2.1.2 Approaches to Downsizing

The word approach was defined by Thornhill and Saunders (1998) as the way and shape of the change process implemented by the firm (Thornhill and Saunders, 1998). Two famous downsizing approaches which are: the reorientation and convergence approaches were mentioned by Sahdev (2004) who stated that they represent two contexts within which downsizing can occur. He stated that top management during reorientation periods attempts to consider all forces affecting its fundamental change like technological, competitive, and institutional external factors. While during convergence periods top management focuses on implementing continuous improvement programs and incremental changes (Sahdev, 2004).

2.1.2.1 Downsizing as Reorientation

According to Freeman (1994), downsizing can be seen as reorientation tool if firms react to its past incurred faulty steps or proactively and strategically adapt. At this case it is appropriate for the firm to redesign its processes, purpose, and structure. This can be done by top management which assesses the firm’s existing constraints, design, and human resources management practices. Freeman (1994) highlighted the fact that if the firm is undertaking downsizing on a large scale, it is an indicator of the past misalignment at this firm. Yet, this misalignment can still be addressed by reorientation approach to the firm (Freeman, 1994). Meanwhile, reorientation approach to downsizing is implemented by firms which attempt to match their internal capabilities and external environment to improve their competitive position (Appelbaum et al, 1999a). It is a short-term approach as indicated by Thornhill and Saunders (1998) who stated it is not easily implemented as firms need to ensure that changes include the whole organization which needs to be altered and redesigned (Thornhill and Saunders, 1998). Moreover, Appelbaum et al (1999a) explained that firms implement the reorientation approach through enhancing their existing mission after evaluating their structures. The major concern for this approach is improving the firm’s position and efficiency; therefore layoffs are not randomly conducted, but the firm selectively decides whom to be dismissed after conducting analyses involving all departmental levels, tasks, proposals are made about the new suggested design which must be known by all employees, firms abide by certain guidelines during this process, and they also consider their external relations with other firms (Appelbaum et al, 1999a).

2.1.2.2 Downsizing as Convergence

Freeman (1994) stated that the convergence approach does not entail radical changes but rather is done through downsizing which is considered a critical strategy incorporated into the firm’s goal of continuous improvement in its future efficiency. This can be achieved when all members inside the organization believe that improvement is always needed and operations can be simplified. Therefore all members are held responsible for downsizing, all tasks and positions are subject to possible replacement due to goals of simplifying tasks and reducing workload (Freeman, 1994). Years later, Thornhill and Saunders (1998) defined the convergence approach to downsizing as an approach implemented by firms willing to improve their efficiency and operational quality by adopting some incremental changes in their processes (Thornhill and Saunders, 1998). These changes are not fundamental but as explained by Appelbaum et al (1999a), these changes aim at continuously improving internal efficiency and performance through commitment to specific time frame before engaging in downsizing actual practices by allowing participation and involvement of all employees and managers who cooperate, suggest proposed improvements and strategies to maintain their firm’s market position, and realize smoother operational procedures (Appelbaum et al, 1999a).

2.1.3 Implementation Strategies

The three main downsizing strategies are workforce reduction, organizational redesign, and systematic strategies. The term strategy was defined by Tsai and Yen (2008) who referred to it as “Set of undertaken activities, procedures, policies and processes which consequentially and
strategically affect the firm”. This strategy could be planned or emergent due to its ideational and behavioral perspectives (Tsai and Yen, 2008).

These three strategies are independent; a firm can implement one or more of them according to its conditions. However, the firm should scan its internal capabilities and external environment, define its mission and sources of competitive strength, select the suitable downsizing approach that suits it from above two mentioned approaches, and decide the implemented downsizing strategy (Appelbaum et al, 1999a). Tsai and Yen (2008) stated that the chosen downsizing strategy depends on the degree of change desired by the firm, and that organizations usually implement two or more strategies when undertaking downsizing either simultaneously or sequentially. For example, some firms might begin with personnel reductions then follow it by a redesigning process for the whole organization (Tsai and Yen, 2008).

2.1.3.1 Workforce Reduction

Workforce reduction is considered the most common downsizing strategy. The most well-known tactics for workforce reduction are push and pull strategies (Appelbaum et al, 2003). The same tactics were mentioned by Budros (2002) but with different terms; voluntary turnover referred to pull strategy, and involuntary turnover referred to push strategy (Budros, 2002; Appelbaum et al, 2003). Voluntary turnover/ pull strategy occurs when employees voluntarily quit their jobs, it means there are no economic pressures but the social frame poses this action which occurs through offering some early retirement programs, and attrition opportunities, employees sometimes prefer voluntary turnover because it does not have those negative effects associated with involuntary lay-offs. On the other hand, involuntary turnover/ push strategy is about directly laying off employees because of their poor abilities or being faced by some pressures related to economic or social matters, these pressures make it more likely for the firm to engage in involuntary downsizing which is usually achieved through personnel layoffs, these companies are willing to maintain and keep their competitiveness in the market or realize cost reductions (Budros, 2002; Appelbaum et al, 2003).

Although work reduction strategies have some sought benefits like higher flexibility, and open communications, they are short term benefits related daily operations which might realize some cost savings. Firms which lay off their employees expect high cost savings due to large reduced portion of operating fixed costs like compensation and payroll expenses. Yet, some long term negative effects exist; employees are threatened, unable to predict coming layoffs, and lose their trust and belief in management. The appropriate downsizing decision should consider careful evaluation of individual employees’ performance, and dismissing those employees who do not add or create value to their firms (Appelbaum et al, 1999a; Said et al, 2007).

2.1.3.2 Organization Work Redesign

Organization work redesign is a medium term strategy with some sought benefits which can be realized if a full analysis for all departments, divisions, and tasks was performed to properly reach the desired design (Makawatsakul and Kleiner, 2003). Firms redesign their processes, procedures, and achieve flatter hierarchies through coordinating their departments and removing all extra uncritical divisions to improve operational efficiency and effectiveness. This simplifies work structure within the firm (Appelbaum et al, 1999). Another common term describing a firm reorganizing its activities, structures, and implementing dramatic internal changes is organizational restructuring (Appelbaum et al, 1999c). The changes undertaken by management are aiming at increasing efficiency and effectiveness of the organization through improving its competitiveness and production (Appelbaum et al, 1999c).

2.1.3.3 Systematic Strategies

Systematic strategies are about simplifying the whole organization; its production processes, and its relations with suppliers. This strategy helps firms realize their desired benefits in terms of improved
procedures and efficiency through eliminating redundancy within the firm (Appelbaum et al, 1999a). The organizational system is divided into internal and external operating systems through redesigning processes and procedures; the internal side is about employees and internal operation, while the external side is related to supply chain and the firm’s external relations (Makawatsakul and Kleiner, 2003). It was mentioned by Appelbaum et al (2003) that the aim of this strategy is to create a new organizational culture including its employees’ values and norms, integrating the firm as a whole system. The systematic strategies discussed above are similar to those mentioned by Nair (2008) who stated that organizations can adapt to environmental changes by either proactive or reactive strategy. Proactive strategy occurs when the firm is restructured with the aim of increasing its efficiency, while reactive strategy occurs when the firm maintains its survival by obtaining resources preventing its bankruptcy (Nair, 2008).

2.1.4 Theoretical Perspectives on Downsizing

Appelbaum et al (1999a) stated that there are three main perspectives concerning downsizing which are global (industry), organization, and individual level. Macro broad issues like mergers and acquisitions, global employment trends are addressed by industry level, while organization level is concerned with evaluation of benefits and disadvantages of downsizing strategies implemented, and finally the individual level is about employees’ psychological status (Appelbaum et al, 1999a). However, the main three perspectives on downsizing according to McKinley et al (2000) were the economic, institutional, and socio-cognitive perspectives (McKinley et al, 2000). According to Tsai et al (2006), these theoretical perspectives of McKinley and associates (2002) are meaningful as they explicitly explain three major driving factors for downsizing, and provide better understanding of downsizing by people. Although there is no empirical research confirmed their absolute validity, they remain the most commonly used perspectives explaining downsizing (Tsai et al, 2006).

Tsai and Yen (2008) confirmed that the three perspectives; economic, institutional, and socio-cognitive have resulted from the socio-cognitive process by which managers agree on downsizing as a desirable effective strategy to be implemented regardless conditions, status and concepts of their various organizations. They explained that social forces affect management decisions towards downsizing which was considered a legitimate institutional norm, and that is why institutionalization was considered an important driving factor for downsizing. These social and institutional factors are external irrational, while some internal irrational factors like the organization’s culture and leadership traits were other factors affecting downsizing. Furthermore, it was stated that those strategies could have various levels among which firms could choose, these levels could range from involuntary or voluntary redeployments, layoffs whether accompanied with placement assistance payments or without, and the firm selects the level according to its background aspects and redundancy characteristics (Tsai and Yen, 2008).

2.1.4.1 Economic Perspective

McKinley et al (2000) stated that the economic perspective is concerned with ways how downsizing occurs, as it is considered a device influencing companies’ financial performance. It assumes that decision makers are aware of the relation between financial performance in their firms and potential downsizing practices. That is why they believe economic conditions like operational efficiency, increased productivity are main motivations to have future layoffs. Therefore they believe downsizing is the solution to face organizational decline phenomena which was previously discussed. Nowadays downsizing is implemented by various firms which are willing to increase their productivity although they do not face decline (McKinley et al, 2000). Few years later, Nair (2008) stated that the economic perspective is most commonly used by organizations which aim at improved future financial performance and increased productivity through reduction in operational expenditures. He mentioned that this pure economic perspective of downsizing does not consider costs associated with negative human aspect of the process. At the same time, it was mentioned that non-economic forces make it necessary for organizations to downsize. These non-economic forces like management beliefs and
practices; if managers prefer flatter organizational structure and less hierarchical layers, they are more likely to undertake downsizing and laying off some middle managers (Nair, 2008).

2.1.4.2 Institutional Perspective

McKinley et al (1995) defined institutional rules as set of norms, expectations commonly held and shared by individuals whether in a society or an industrial sector. These rules determine how various organizations are structured and designed, how their managerial processes and procedures are undertaken. They gave an example of such rules which is the Human Resources Management Department which should be present in all large corporations (McKinley et al, 1995). In year 2000, McKinley et al (2000) further completed their studies on the three perspectives on downsizing; they stated that due to lack of clear evidence supporting claims of economic perspectives about the positive relationship between downsizing and the financial performance of the organization; institutional perspective appeared to complement the economic one. This institutional perspective assumed that both non-economic and economic factors drive downsizing. Downsizing is a concept referring to effectively managing the organization along with maintaining social acceptance. It goes along with cloning as a driving factor to downsizing, as both assume that downsizing is driven by some external social factors or market competitiveness requirements (McKinley et al, 2000). Furthermore; Tsai et al (2006) stated there are some items which should be included within the institutional theory of downsizing. These items are the motivating factors to downsizing whether they are socio-cognitive, economic, or institutional ones, they can be considered whether individually or jointly, and that post-industrial western countries are more likely to consider those three factors (Tsai et al, 2006).

According to institutional theory; economic and technical factors have little effect on institutional rules within organizations, they are only traditional elements to which firms react and conform. Three major social forces leading organizations to adopt institutional rules were defined, these factors are: constraining, cloning, and learning (Tsai et al, 2006). Two years later, Tsai and Yen (2008) further added that cloning, constraining, and learning were external institutional factors, and that organizations engage in downsizing activities in response to these three external factors despite their awareness that their anticipated benefits might not be realized (Tsai and Yen, 2008). McKinley et al (1995) elaborated that institutional theory of downsizing specified these three factors of cloning, constraining, and learning through emphasizing the critical role played by institutional rules and laws in shaping processes and structures within organizations (McKinley et al, 1995).

- **Constraining**

Constraining was defined as the institutional rules and legitimate structures to which firms conform in their activities (Appelbaum et al, 1999a). This definition was also supported by McKinley et al (1995) who mentioned that these institutional rules are the determining factor to shapes on management structures and activities in their legitimate content. Moreover; Tsai and Yen (2008) stated that constraining occurs when top management makes the decision to downsize (Tsai and Yen, 2008).

- **Cloning**

Cloning refers to imitation of some companies to other big ones which activities represent a benchmark in their excellence in the market; it is like a strategy of following market leaders (Appelbaum et al, 1999a). Cloning was defined by Tsai and Yen (2008) as an imitation process is implemented by the organization. While McKinley et al (1995) stated that some firms play roles of imitators to other major prestigious firms in the same industry sector as an attempt to face uncertainty caused by global fierce competition (McKinley et al, 1995).
Learning

Learning refers to educational institutions which discuss downsizing approaches and strategies (Appelbaum et al, 1999a). According to Tsai and Yen (2008), learning occurs through education and MBA courses (Tsai and Yen, 2008). These basic MBA courses and taught subjects are management practices and principles presented and taught in worldwide universities by professionals as indicated by McKinley et al (1995).

2.1.3.2 Socio-cognitive Perspective

McKinley et al (2000) had mentioned that the socio-cognitive perspective could explain the roots upon which the institutional perspective of downsizing was based at micro-levels (McKinley et al, 2000). Few years later, Tsai et al (2006) explained that psychological aspects could also shape downsizing decisions according to the socio-cognitive viewpoint. So downsizing is a legitimate ethical practice because of social interactions and societal cultures which help managers build their mind sets which view downsizing as this legitimate strategy to respond to dynamic environment (Tsai et al, 2006).

2.2 Overview of Survivors in the Organization

Downsizing is considered a strategy to adjust to structural and fundamental changes in global economic environment. Companies which are implementing workforce reduction strategies should consider their employees whether the laid off or those remaining in employment. Employees who survive a layoff are called “Survivors”. They exhibit many negative post-layoff behaviors and feelings like stress, declining morale. However, the strength and shape of these behaviors and feelings depend on some factors which shape survivors’ responses (Mishra and Spreitzer, 1998). Although success or failure of downsizing is highly linked to the degree to which survivors accept and adjust themselves to it, management may ignore effects that downsizing may have on surviving employees who can lead to declining organizational performance on the long run as stated by (Kinnie et al, 1998; Thornhill and Saunders, 1998).

Nair (2008) stated that attitudes and behaviors of survivors are negatively affected by layoffs which create more stress, workload, less morale, commitment, trust in management, violation of psychological contract, depression. He further stated that management can avoid these negative reactions by clearly explaining and informing employees of its motivations to downsize. If employees believe there were clear honest communications between them and management, they are less likely to exhibit these negative reactions, and they are likely to engage in more speed and effective efforts to rebuild their organization (Nair, 2008).

2.2.1 Types of survivors

Some elements were discussed by Beylerian and Kleiner (2003) who stated that survivors respond and exhibit some negative emotions according to the legitimacy of layoffs; whether laid off workers were notified prior to these layoffs, whether the decision was made according to a clear criterion like seniority, the degree of fairness in applied procedures, and whether they were fairly implemented. So when survivors perceive inadequate implementation of above mentioned items, they will exhibit less morale, commitment, attachment to management (Beylerian and Kleiner, 2003). Same aspects were discussed by Mishra and Spreitzer (1998) who confirmed that survivors react in various ways to downsizing because of various characteristics which differentiated between four types of organizational survivors. These types are constructive, destructive, active, and passive survivors. This classification is based on two dimensions; survivors might react passively or actively, and they can be either destructive or constructive (Mishra and Spreitzer, 1998). The type of survivor is affected by the appraisal phase he/she is involved in while interpreting downsizing process. Survivors engage in two appraisal phases to shape their concept of downsizing. There is the primary appraisal phase, where survivors are affected by level of their trust in management, its competence, and perceived justice in
its implementation procedures. This controls the degree to which downsizing is seen as a threat to survivors. That is why survivors exhibit cooperative and constructive responses, otherwise they will respond in destructive ways. While when survivors engage in secondary appraisal process, they think about their capability in coping with changes incurred by this downsizing. This is affected by degree of employee empowerment, sense of self-control, and concept of work redesign; it's perceived intrinsic changes. That is why survivors exhibit active responses to downsizing if they are empowered and intrinsically satisfied with new changes introduced, otherwise they will respond in passive way (Mishra and Spreitzer, 1998).

Following is a discussion of types of survivors, their responses, and then the factors affecting survivors’ types and responses are illustrated to show the relationship between these factors and exhibited responses and reactions.

2.2.1.1 Constructive versus Destructive Survivors

Constructive survivors believe that downsizing poses no harm for their job security. That is why they exert more effort to help management implementing it; they exhibit hopeful obliging responses to layoffs which represent no harm to them. Unlike destructive survivors who believe downsizing is such a great threat to their jobs, and accordingly they are not willing to support management or accept its explanations of undertaken layoffs; they exhibit cynical and fearful feelings towards downsizing which negatively affects them (Mishra and Spreitzer, 1998).

2.2.1.2 Active versus Passive Survivors

Active survivors tend to face the actual situation and deal with the problem. That is why they believe they can adapt to downsizing. They hold hopeful future views for their firm. While passive survivors ignore the problem; they heavily rely on management in solving the situation. This is because of their fear which makes them act as if they have no capability to deal with layoffs, so their response is fearful and obliging (Mishra and Spreitzer, 1998).

2.2.2 Overview of Survivors’ Responses

Thornhill et al (1997; 1998) mentioned two types of responses exhibited by survivors in organizations, and elaborated that these responses are based upon degree of justice perceived by survivors which shape their behaviors towards layoff victims. These responses can be sympathetic or unsympathetic. Sympathetic reaction is exhibited when survivors believe that management conducted downsizing in an unfair way towards laid-off employees, so they begin to hold negative emotions and attitudes towards their organization. While unsympathetic reaction is exhibited when survivors believe management had proper justification for dismissing selected employees, so they consider it a justifiable action and that is why those survivors continue working hard (Thornhill et al, 1997; 1998).

Thornhill et al (1996; 1997) further elaborated that Survivors’ responses are like a continuum whose two edges represent either favorable or unfavorable ones, so it is possible for survivors to hold mix of those reactions. But this depends on some factors which are considered moderating variables affecting sympathetic negative responses of survivors.

The sympathetic responses depend on the degree of relational closeness between survivors and those laid-off employees, the degree of interdependence in common tasks they used to perform together, how common were norms and values that both survivors and victims are sharing and holding, the degree those survivors believe they are a subject to being laid-off or degree of job-insecurity perceived by survivors due to previous experience they hold towards downsizing, the perceived fairness of procedures taken by management while implementing the layoffs, the expectations which employees have towards layoffs to take place within their organization, and finally the external environmental factors like the potentiality to find another job (Thornhill et al, 1996; 1997).
Thornhill et al (1996; 1997) illustrated that sympathetic reactions can be either attitudinal or behavioral. Attitudinal reactions take the forms of anger, distrust, less motivation, low morale and commitment towards their organizations, they used an example of Chell British Company which downsized in early 1980s, it undertook some surveys of 83 managers, and found that surviving employees clearly exhibited those sympathetic reactions along with low rates of unsympathetic reactions. While behavioral reactions relate to the degree to which employees still prefer risk taking, the extent to which they become cautious, rates of absenteeism and voluntary turnover, and the impacts on productivity, profits realized (Thornhill et al, 1996; 1997).

2.2.3 Archetypes of Survivor’s Response to Workforce Reduction

Appelbaum et al (1997) indicated that one factor that influences survivors’ response is the way they perceive downsizing to have been fairly conducted. In case of perceiving it to be unfair, they would feel guilt towards their laid-off colleagues. Also if they concluded that performance was not the judge for being dismissed or to remain employed, this would lead them to ignore their performance and perform under their capabilities (Appelbaum et al, 1997).

As indicated above, responses of survivors to downsizing vary among them; some see it as an opportunity for personal growth and career development, which encourages them to exert more effort in their work, while others exert less effort, or may exert the same effort. These responses depend on the type of survivors. Therefore, below are the four archetypes of survivors’ response to downsizing which have cognitive, behavioral, and affective components. Survivors may also have hybrid responses rather than extremes on the mentioned dimensions. For example, some responses may be cynical and hopeful, where survivors try to be critical with the organization through creating better working conditions (Mishra and Spreitzer, 1998).

2.2.3.1 Fearful Response “Walking Wounded”

Mishra and Spreitzer (1998) described these survivors as both destructive and passive; they exhibit a fearful response. They are called the walking wounded because they strongly believe that downsizing represents severe harm to them; they suffer from anxiety, stress, fear, and depression, lose their interest in work, so they ignore it and tend to perform other non-work related tasks due to lost concentration. These negative behaviors are accompanied with late arrivals, less loyalty, increased absenteeism and withdrawal from responsibility (Mishra and Spreitzer, 1998). Some negative emotions survivors feel were further explained by Petzall et al (2000) like increased stress, less loyalty, loss of job security sense, increased fear are due to the fearful response exhibited by these survivors (Petzall et al, 2000).

2.2.3.2 Obliging Response “Faithful Followers”

Obliging response which is exhibited by faithful followers was explained by Mishra and Spreitzer (1998) who stated that it is more likely to be exhibited by constructive but passive survivors who hold no belief they can personally catch up with downsizing. Meanwhile, downsizing is not a severe threatening danger to them. So they believe it will not prevent them from performing their expected tasks well. These survivors are loyal, committed, with strong sense of recognition to their organizations to which they conform and carry out its orders without hesitation (Mishra and Spreitzer, 1998).

2.2.3.3 Cyclical Response “Carping Critics”

Cyclical response exhibited by survivors who are carping critics is similar to this discussed above response of fearful survivors; as both believe that downsizing is highly harmful to them, but they are active in their response to downsizing; they actively interfere and discuss issues with management during downsizing implementation process. Moreover, their response to downsizing has a destructive nature because they believe they can cope with it but without any attempts to embracing it; they suffer
from aversion, bitterness, and anger which make them in continuous willingness to challenge management decisions (Mishra and Spreitzer, 1998).

### 2.2.3.4 Hopeful Response “Active Advocates”

According to Petzall et al (2000), a positive attitude reflects hopeful response exhibited by survivors who are active advocates, this response results from a sense of enthusiasm and excitement held by survivors who might be willing to work harder and be active actors (Petzall et al, 2000). Moreover, Mishra and Spreitzer (1998) had earlier explained that these responses are exhibited by active and constructive survivors who believe that downsizing is not a source of harm for them; they are similar to cyclical archetype as both believe they can personally adapt to do layoffs. The main difference is that cyclical survivors exert no efforts to embrace the implemented process, so they continuously attack management. While the hopeful survivors are optimistic about their organization’s future that’s why they are committed to it. Their responses are also called “Good Citizenship Behavior” and “Job Involvement” (Mishra and Spreitzer, 1998). Figure 1: represents a brief summary for archetypes of survivor’s responses (Mishra and Spreitzer, 1998).

![Constructive Response Diagram](source.png)

**Figure 1: Archetypes of Survivor Response**

Source: (Mishra and Spreitzer, 1998)
2.2.4 Factors affecting Survivors’ Response

There are some factors which affect survivors’ responses like Justice, trustworthiness to management, when survivors have trust in management actions and intentions, they are less suspicious and feel more attached to the organization as they perceive downsizing as legitimate action which poses no threat to their job security, so when they perceive top management as honest and competent in its strategic decisions, they will believe its promises and intentions (Spreitzer and Mishra, 2002).

Mishra and Spreitzer (1998) explained the two types of cognitive appraisal through which individuals cope and respond differently to certain stressor. They mentioned that a cognitive appraisal process is encountered by survivors who appraise and evaluate the degree of threat posed by this stressor, and their resources, abilities to cope with it, and then those survivors can shape the coping behaviors and emotional responses. Based on the previously mentioned types of survivors; constructive, destructive, passive, and active, survivors are believed to have two appraisal phases for downsizing process, and these appraisals affect the responses they show post-downsizing. When downsizing is perceived as a threat according to the primary appraisal by survivors, and this perception is controlled by level of their trust in management, its competence, and perceived justice in its implementation procedures. That is why survivors exhibit cooperative and constructive responses, otherwise they will respond in destructive ways. While when survivors engage in secondary appraisal process, they think about their capability in coping with changes incurred by this downsizing. This is affected by degree of employee empowerment, sense of self-control, and concept of work redesign; it’s perceived intrinsic changes. That is why survivors exhibit active responses to downsizing if they are empowered and intrinsically satisfied with new changes introduced, otherwise they will respond in passive way (Mishra and Spreitzer, 1998).

More specifically, three components of justice theory determine survivors’ responses were mentioned by Sahdev (2004). These items are distributive, procedural, and interactional justice. These elements relate to aspects of both management and survivors on downsizing process; as management considers this process as strategy to increase efficiency unlike survivors who consider it threatening factor to their job security. Distributive justice related to scarcity of resources and how management distributes them. While Procedural Justice refers the process through which decisions on resources allocation are made. Finally Interactional Justice refers to means by which management introduces and communicates information to its employees (Sahdev, 2004). Spreitzer and Mishra (2002) highlighted the important role played by perceived justice in shaping survivors’ responses. They stated that when survivors perceive downsizing to be conducted in fair conditions they will be less threatened and more committed to their organization. While if they thought it was unfairly conducted, they will be more willing to withdraw due to reduced organizational loyalty and commitment (Spreitzer and Mishra, 2002).

Both distributive and procedural justice received much attention of previous researches on downsizing; therefore both items will be discussed below. Figure 2 shows how trust, empowerment, work redesign, and justice affect survivors’ responses according to the appraisal phase survivors are encountering.
While Thornhill et al (1996) stated that factors shaping these responses are dependent on survivors’ previous experience with being laid off, the external environment like the availability of alternative job opportunities, and finally the organization itself (Thornhill et al, 1996). These feelings of decreased loyalty, satisfaction were justified by Levitt et al (2008) who stated that survivors consider downsizing a social matter more than an economic one, they shape their perceptions about actual motivations of management to downsize, and accordingly they react to it and their relationship with their organization is determined (Levitt et al, 2008).

2.2.4.1 Role of Distributive Justice

The term distributive justice refers to concern with outcomes of downsizing process and whether they were fairly perceived and whether they represent aspirations of survivors’ outcomes. It is more related to laid-off employees and whether they were fairly compensated. This fair compensation is positively perceived by survivors who believe they will be fairly treated and compensated if further future downsizing activities are to be done; this enhances survivors’ commitment to their organization. The degree of distributive justice perceived by survivors also depends on how survivors believe their organization fairly distributed burdens and responsibilities between top management and other downsizing victims, so if survivors noticed that bonuses were granted to top management while poor payments were paid to victims they would be more suspicious of their organization strategies’ fairness (Spreitzer and Mishra, 2002).

The term distributive justice was further explained by Clay-Warner et al (2005) who defined it as outcomes directed to a specific set of recipients and the fairness of their distribution. These outcomes are expected from those individuals in return for their exerted effort, experience. They stated that distributive justice is a predictor for organizational commitment among downsizing victims rather than survivors. It was further stated that distributive justice is more related to employees’ psychological contract with their organization which is affected by the way downsizing is conducted; this contract is about unconscious expectations employees hold towards their organization, and if it
will support and embrace their needs whether psychological or organizational needs. These expectations relate to received payments, guaranteed job security, mutual respect and recognition. When downsizing takes place, commitment, perception and integrity of employees change either negatively or positively according to the degree of perceived justice (Clay-Warner et al, 2005).

2.2.4.2 Role of Procedural Justice

Procedural justice refers to degree of fairness by which downsizing procedures and processes were conducted. It is related to self-respect and perceived value an individual feels when he/she belongs to certain social entity. In the case of downsizing, it is about the degree to which its procedures and criteria were clearly defined against decisions made on bias based trends. When survivors believe they are to be communicated before any potential downsizing decision, they will be less threatened and more committed to their organization. Procedural fairness also refers to fairness of means, and whether they are consistent among people, free of bias and hidden unclear agendas, and if they are based on clear ethical standards. As individuals always look for being valued for belonging to certain groups, procedural justice is more dominant on individual’s reactions to downsizing than distributive justice; especially if those individuals had strong sense of commitment and belongingness to their associated groups. Based on definitions of both types, Clay-Warner et al (2005) stated that distributive justice was mainly predictor for commitment among downsizing victims unlike procedural justice which was mainly a predictor to commitment among survivors (Clay-Warner et al, 2005).

2.2.4.3 Role of Empowerment

The word empowerment was defined by Spreitzer and Mishra (2002) as the felt sense of self-control in work; this sense can be elaborated within four areas linked to person-work relationship. They are: meaning, competence, self-determination, and impact. For meaning it is about having a personal aim for performing work, this personal aim helps individual overcome uncertainty. Competence is about possessing required skills and competencies to perform their jobs, when survivors feel they are competent, they are more able to adapt to changes in their work. Self-determination is about being free in performing work, and impact which enables survivors to influence the working system so they hold a sense of control over their work (Spreitzer and Mishra, 2002).

Employees’ empowerment is a tool to increase their attachment and organizational commitment. It decreases their negative perceptions of downsizing threats to their job security, so they believe they are able to cope with it and maintain their jobs when they have higher sense of self-control in comparison to less managerial positions present after layoffs. When survivors are empowered they will be more committed and feeling their jobs became enriched due to more responsibilities and duties they will hold. This positive perception will make survivors react proactively and actively towards supporting their organizations in appropriately operating after downsizing and incur less costs and damages. They become more able to meet challenges and stress caused by new conditions (Appelbaum et al, 1997). They had emphasized the importance of employee empowerment by elaborating how the company should be aware of possible resistance and rejection of its survivors to implement sought changes. It should be aware that its employees are the most valuable asset. That is why it cannot ignore human factor when downsizing; it should inform them about these coming changes, provide a clue about their future with their jobs, and how the new structure will be like (Appelbaum et al, 1997).

If survivors do not feel a sense of control over their work during stressful situations, they will prefer to withdraw and act passively due to their belief they cannot influence their organization. That is why the above four empowerment dimensions are critical in helping survivors feel attached to their organization. Attachment and self-control are also positively related to employees’ loyalty, affective commitment, and negatively related to turnover rates (Spreitzer and Mishra, 2002).
2.2.4.4 Role of Trustworthiness in Management

Trust is defined as having the will to be vulnerable and expecting that some losses might appear when interacting with other people. When survivors have trust in management, they will exhibit less negative post-layoffs behaviors. That is why management should be open and honest with its employees; it should involve them and provide them with explanations about its actual motivations for downsizing. If survivors lost this trust in management, they will be more cynical and fearful in their responses; they will doubt intentions of management (Spreitzer and Mishra, 2002). Trustworthiness has some dimensions which are: caring for interests of others, competency, honesty, and reliability. If management was able to address all these dimensions; through considering interests of its employees, being competent in its practices, exhibiting reliability in its promises, being open and honest with them about the actual organizational conditions, they will have stronger attachment to their organization (Spreitzer and Mishra, 2002).

2.2.4.5 Role of Clear Communications

Open communication is a critical component which affects survivors’ responses. As previously indicated; when survivors are informed of true actual motivations of management to downsize, they are less likely to exhibit post-downsizing negative reactions (Thornhill et al, 1997). It was recommended for management to maintain credible and focused communications with employees to avoid negative reactions which would be created due to surprising actions. This clear communication can be realized by two way communication channels, availability of appropriate consultancy to employees. Survivors should be well informed of all aspects of downsizing process, how their responsibilities will be affected, and how they are expected to meet them. It is essential to inform them also about the status of their coworkers and how they were treated and compensated (Thornhill et al, 1996). Selmer and Waldstrom (2007) mentioned that long-term post-downsizing organizational performance depends on its ability to involve its employees and carefully consider their recommendations and suggestions in its implemented redesign processes, and also on the clearness of decisions which are related to dismissed workers; management should be aware of the possibility of making faulty decisions by laying-off skilled workers instead of low performers, so it should have clear criteria while dismissing its employees (Selmer and Waldstrom, 2007).

2.2.4.6 Role of Work Redesign

Work redesign is related to the degree of consistency between work redesign and downsizing. This affects the secondary appraisal process of survivors; if changes are creating better intrinsic quality for work, survivors will more likely to be capable of coping with downsizing activities and exhibit active responses. This intrinsic aspect is related to job variety and autonomy. For job variety, it is how tasks and responsibilities of survivors increased after their colleagues were laid-off, this increase and variety in tasks can help survivors develop their skills and coping abilities so that their motivation and flexibility increase. While for job autonomy, when downsizing is accompanied with flatter organization and less hierarchical levels; survivors will feel more empowered to make decisions as they possess more autonomy in their work. That is why they feel self-control, and have the opportunity to perform work effectively (Mishra and Spreitzer, 1998).

2.3 Psychological effects of downsizing on survivors

The role of clear communications as a factor affecting survivors’ responses shows the fact that some negative psychological responses could be avoided by management if it maintained clear and honest communication flow with its employees (Thornhill et al, 1996). While trustworthiness in management helps it to reduce the probability of mistrust and cynical emotions which are held by survivors when it considers their needs, and becomes reliable in its made promises to avoid losing their organizational attachment (Spreitzer and Mishra, 2002). While for the role of justice whether procedural or distributive, survivors exhibit less negative responses to downsizing when the degree of perceived justice is high and explaining the true motivations of management to downsize (Spreitzer and Mishra,
So it is quite clear that if management considers these various factors, it will help reduce any possible negative reactions of its employees after layoffs (Sahdev, 2004).

The following part of the literature review will discuss some of negative psychological emotions, behaviors, and attitudes which survivors tend to hold after downsizing like psychological contract violation, and survivor syndrome. Violation of survivors’ psychological contract, their perception of unfair downsizing procedures, and unclear future vision lead to survivor syndrome.

2.3.1 Downsizing and Survivors’ Commitment/Attachment

Spreitzer and Mishra (2007) indicated that downsizing activities negatively affect survivors even if their job security was not threatened. They referred to this feeling as the degree of attachment survivors hold towards their organization. It is about the exchanged commitment between survivors and their organization. Organizational commitment has three dimensions which affect performance levels of employees within the organization. These dimensions are the affective, continuance, and normative commitment. The affective commitment refers to the desire held by employees to remain employed within the firm; continuance commitment refers to the need of some employees to stay employed by their firm; and finally normative commitment refers to employees who remain within their firms due to their mental beliefs (Cross and Travaglione, 2004; Spreitzer and Mishra, 2007). Some negative attitudinal and behavioral actions result from declining commitment among survivors like increased rate of voluntary turnover, negative symptoms of survivor syndrome, and sense of psychological contract violation. The three phenomena are further explained more below in order to realize how degree of attachment the survivors might hold post-layoffs has an impact on their behaviors and emotions which are represented in their willingness to quit their jobs, feel negatively about their organizations, and feel psychologically violated in terms of their trust with their firms (Cross and Travaglione, 2004; Spreitzer and Mishra, 2007).

2.3.2 Voluntary Turnover among survivors

A negative phenomenon which results from downsizing and is sometimes preferred by some survivors is the voluntary turnover. As previously mentioned, voluntary turnover rates are highest among employees who have low rates of affective commitment towards their organizations. The impact of downsizing on voluntary turnover among survivors and their intention to remain employed within their organizations was further explained by Spreitzer and Mishra (2007) who indicated that responses of survivors depend on trust, and justice. Spreitzer and Mishra (2007) proposed a model assuming that survivors who voluntarily quit their jobs do so as a response to a shock in their organizational system. This shock which is caused by organizational downsizing affects the stability of their social system in which they work and converts it into other new perceived system, and this creates a need to reconsider organizational relationship with these survivors. This model proposes that three elements determine voluntary turnover rates among survivors. These factors are: Justice, employee empowerment, and trustworthiness of management which have been previously discussed. The framework shows that there in negative relationship between degree of attachment and rates of voluntary turnover among survivors. As when survivors feel attached towards their firms, they are less willing to quit their jobs (Spreitzer and Mishra, 2002). Figure 3 shows this following frame.

![Figure 3: Theoretical Framework](source: Spreitzer and Mishra, 2002)
2.3.3 Survivors’ Psychological Contract Violation

Another negative phenomenon facing survivor results from downsizing and reduced organizational commitment is called psychological contract violation. Psychological contract consists of unwritten informal procedures and rules shaping the relationship between employers and employees within the organization. This contract is a necessary element which affects how survivors respond to downsizing activities according to the degree their relationship with their organization changes (Levitt et al, 2008). Some unique characteristics of psychological contracts were mentioned by Sahdev (2008) who stated these contracts are deliberate, time evolved, subjective, and enable exploitation as well as generosity (Sahdev, 2008).

Furthermore; Morrison and Robinson (1997) stated that a psychological contract of employee is about any beliefs held about the expected mutual treatment between the employee and his/her employer. It is about reciprocal responsibilities and rights of each party which help shaping the relationship between them in their organization. The violation of this contract creates many negative effects on the organization and on its employees; it reduces employees’ morale, trust, satisfaction, and willingness to remain within the organization. Some employees might even exhibit some violent behaviors or file some law suits against their organization; these law suits harm the organizations’ reputation if published to the public. Employees feel their organization was not up to their expectations and failed to meet its obligatory responsibilities. Actions taken by organization like restructuring, reorganizing, or downsizing have negative psychological effects on their employees who begin to doubt their perceived job security and fair treatment. These psychological contracts are based upon promises which are perceived by employees about any future intentions communicated to them through their organizations. These intentions can be delivered to employees through various means whether formal or informal, so they can be in form of explicit organizational policies, written documents or discussions (Morrison and Robinson, 1997). As Levitt et al (2008) mentioned, violation of psychological contracts leads to increased levels of stress and turnover among survivors who feel less loyal, committed to their organization in which they lost their trust (Levitt et al, 2008).

2.3.4 Survivor’s Syndrome ‘‘Survivors’ Sickness’’

Reduced organizational attachment leads to another post-layoff phenomenon which heavily affects survivors. This phenomenon is called ‘‘Survivor Sickness/ Syndrome”. It was described by Makawatsakul and Kleiner, 2003; Virick et al, 2007) who defined it as survivors’ loss of their trust and belief in managerial fairness and justice, and suffering from feelings of anger, frustration, and job insecurity. Appelbaum et al (1999b) defined survivors’ syndrome as elements which are driving companies that adopt downsizing to fail in maintaining the organizational goals after downsizing. All symptoms are due to the fear of those survivors and that they are unsure about their future with the organization, therefore this leads to losses on the long run for the organization especially if management ignored those survivors. While Levitt et al (2008) referred to survivor syndrome as a mixed set of feelings, and attitudes accompanied with actions held by surviving employees within the organization. These feelings include anger, anxiety, and sadness. They mentioned the fact that most organizations lack the required level of knowledge on how to deal with survivor syndrome, and accordingly these organizations fail to provide adequate means of support to those survivors. There is still a belief that surviving employees should just conform to management orders and continue performing their regular tasks along with tasks of those laid-off coworkers (Levitt et al, 2008).

Kinnie et al (1998) further discussed the phenomenon of survivor syndrome through stating that companies which implement downsizing may not be fully aware of its effects on its surviving employees who become more narrow-minded, risk-averse as they lose their flexibility and tend to do tasks in traditional way and reject creativity. These symptoms accompanied with low morale and job security, more stress, more absenteeism and turnover (Kinnie et al, 1998). Few years later, Makawatsakul and Kleiner (2003) stated that the symptoms of survivor syndrome are more obvious and strong if downsizing is done with less communication of employees and little involvement of stakeholders in the decision. These negative reactions may destroy the whole firm. It was stated too
that although survivors may be still hold some feeling of being grateful to management which retained and kept them working for the firm, they are being attacked by feeling of guilt about their former colleagues and by their fear from being laid-off like them in the future (Makawatsakul and Kleiner, 2003). In this regard, Levitt et al (2008) mentioned that survivor syndrome is a great threatening factor to the organization’s performance, profitability, and productivity levels. This is due to the new organizational structure, new roles and responsibilities held by survivors (Levitt et al, 2008).

Cascio (1993) illustrated an example of US Replacement Company called Right Associates. When it surveyed some senior managers in American firms which undertook some downsizing activities, seventy four percent of these managers explained how the surviving employees exhibited certain behavior which distracted management and how their morale noticeably declined. Cascio (1993) assumed the reason of this was the lack of adequate communication between management and employees, due to traditional belief in US firms’ senior managers that their employees are no more than input factors in production process, so they could be easily managed, replaced when unneeded. This lost focus on employees’ needs and values was a reason for this declined morale and trust in management (Cascio, 1993).

2.4 Research Gap “Hypothesis”

Through examining the literature on downsizing and its negative effects on survivors, a lack of empirical research in some areas despite their importance has been noticed. One limitation about previous studies is the lack of consideration for psychological status of survivors after layoffs although many previous researchers have attempted to examine the relationship between downsizing and negative psychological effects on survivors. This claim was mentioned by many researchers like (Kinnie et al, 1998; Makawatsakul and Kleiner, 2003; Appelbaum et al, 1997) who stated that some firms which lay-off their employees are not fully aware of the negative effects which downsizing create for their surviving employees, and that management does not give much attention to changes their employees face because of the traditional narrow-mind sets, risk-adversity, less flexibility, and more tendency to do tasks in traditional way. That is why Management does not notice symptoms of low commitment, more stress, absenteeism, and turnover which represent symptoms of survivors’ syndrome. These researchers highlighted the need of organizations to address needs of their surviving employees, and how management must be aware that it is not sufficient to keep survivors updated about their current situation, and always update them about any possible future changes or any new opportunities. These aspects were further explained by Makawatsakul and Kleiner (2003) who mentioned that negative symptoms are more obvious and strong if downsizing was performed with no or little communication of employees and little involvement of stakeholders in the decision which might destroy the whole firm because of survivors’ guilt about former colleagues, and their fear from being laid-off like them in the future. But it is clear that many aspects concerning survivors’ post-layoffs psychological status was not fully covered by these previous studies, and accordingly one could conclude that there has been great ignorance of survivors’ needs, their career development opportunities. Survivors have a need for management’s support as well; this support can be financial in terms of monetary benefits, or it can be psychological support through encouraging survivors to maintain their trust and loyalty to the organization. Moreover, it can also be concluded that when organizations undertake layoffs, their main focus is solely presented in management perspective on downsizing process, its motivations, dimensions, and other economic factors management considers, so it ignores these employees, and gives no attention about their psychological well-being (Carbery and Garavan, 2005).

Hence, the present study aims at unleashing the relationship between perceived organizational justice and the degree to which survivors suffer from negative symptoms of survivor syndrome. Meanwhile, two major symptoms of survivor syndrome are to be examined within the current study. These symptoms are: organizational commitment/attachment, intention for voluntary turnover. This is because survivor syndrome includes many symptoms which can be all narrowed down into two major behavioral and attitudinal reactions which survivors perform post-layoffs. The specification of major
symptoms further helps in segmenting the major research question for the study into three specific research questions which are:

- Research Question 1: “What is the impact of Procedural Justice on Organizational attachment among survivors?”
- Research Question 2: “What is the impact of Procedural Justice on voluntary turnover rates among survivors?”

Based on the above mentioned research questions, there are some expectations for the relationship between procedural justice as the independent variable and the two variables of survivor syndrome which represents the dependant variable. The hypotheses for the expected findings are as follows:

- H1: There is a positive relationship between procedural justice and organizational attachment among survivors; survivors who perceive downsizing to be fairly implemented are more likely to have higher levels of attachment.
- H2: There is a negative relationship between perceived procedural justice and intention of voluntary turnover among survivors; survivors who perceive layoffs to be fairly implemented are less likely to exhibit intention for leaving the company.

3. Research Methodology

This section introduces the proposed methodology to answer the research questions of the current study; it presents the research design, sample characteristics, sampling techniques, research instruments, and research procedures. Moreover, the research analysis is presented.

3.1 Introduction:

According to the previously discussed limitations, it is clear that the human aspect is of great importance while examining downsizing literature and especially survivors who remain within the organization and help it operate and reach its intended goals. The mentioned research questions seek to find an answer the supposed relationship between perceived justice and survivor’s psychological well-being represented in symptoms of survivor syndrome. For the current study which aims at exploring the relationship between organizational perceived justice and the psychological status of survivors, there are some identified variables which will be used to examine this relation and test the previously mentioned hypothesis. These items are adapted from the literature on downsizing which provided some useful measures for Justice. The independent variable of Justice; both procedural and distributive can be considered. Yet, only the procedural justice will be used as the sole independent variable as it was mentioned in the literature that procedural justice is a main predictor of commitment among survivors, while distributive justice was mainly predictor for commitment among downsizing victims (Clay-Warner et al, 2005). That is why in the current study it will be more appropriate to focus on procedural justice as the study is addressing survivors of downsizing and not victims.

3.2 Research Design

In order to answer the research question and test the proposed hypotheses, a mix of both quantitative and qualitative methods will be employed (Cooper and Schindler, 2008). This combination of both qualitative and quantitative methods aims at increasing reliability and understanding of studied relation is known as triangulation. In this study, this triangulation is needed to realize better and deep consideration of the relationship between perceived justice and survivor syndrome. In the current study, quantitative study will be done first through distributing surveys, and then it will be followed by qualitative study through setting interviews. This sequence in implementation of both methods is an appropriate means to help validation of findings which will result from quantitative method.
3.2.1 Structured Surveys

Some self-administered surveys (n=101) will be used in order to provide some statistical conclusions about these effects. Surveys are useful when examining what reactions or response had occurred, and by which rates (Cooper and Schindler, 2008). Surveys are appropriate means to gather data from participants, and compare it to obtain conclusions. They are less costly than other various means. This self-administered survey will be used to guarantee rapid responses and saved time which could be lost if other means are to be used. In addition, surveys require minimum number of staff to be present while conducting the study procedures (Cooper and Schindler, 2008). Moreover, the survey will be a structured one including mainly closed-ended questions. This aims at accessing information in more convenient and rapid way which is more adequate when performing data analysis (Cooper and Schindler, 2008). Many scales will be implemented in the survey to avoid biased questions. For example: Dichotomous questions which offer two mutually exclusive choices (Yes, No) are implemented. Other multiple choice questions will be presented. Moreover, Checklists in which the respondent can select all that applies are presented (Cooper and Schindler, 2008).

Moreover, respondents were told about the main objective of the survey to maintain confidentiality. The information submitted by the respondents was gathered on an anonymous basis due to ethical considerations which imply the secrecy of information provided by respondents as it was solely obtained for research purposes. This aims at delivering a sense of confidentiality and privacy to participants who might hesitate to reveal information about their feelings, emotions, and attitudes towards their organizations which implemented downsizing activities. The surveys will be distributed through online websites, mails, and through being dropped off in the targeted firms. The web-based survey will be used because of its cost-savings, accessible respondents, and anonymity basis (Cooper and Schindler, 2008). It should be considered that there is the probability that some employees might not be present at the time of the study within their organizations; they can be on vacation or sick leave, so some surveys will be available online for those who might be absent but have the interest on filling the questionnaire. This web-based survey will be delivered and collected through the Internet by whoever employee who is interested in filling it. Moreover, surveys will be distributed in both Arabic and English languages. That is because of the fact that some manual workers might be illiterate, or might have poor knowledge of English language. So this is to be convenient and considering to all possibilities. This means that both versions in English and Arabic were made equivalent in their meanings to guarantee consistency and validity of questions and measurements.

3.2.2 Semi-structured Interviews

Three follow up interviews will be done to validate the findings of surveys, clarify the goal, perspectives of the questions, and gain deeper insights about the nature of the examined relationship between procedural justice and symptoms of survivor syndrome; they help in obtaining more reliable data from participants as some data cannot be obtained through objective nature of surveys, so interviews can be the appropriate means to access this data, and subjectively evaluate it (Cooper and Schindler, 2008). Moreover, among those 101 respondents, only 3 follow up interviews will be conducted; one survivor will be interviewed from the contacted companies; public, private, and NGO. The interviewees would voluntarily participate in the interview as at the beginning of the distribution process they will be told about the interviews and whoever is interested can participate. Interviews are employed to assess the degree to which psychological contract of those surviving employees was violated the degrees of susceptibility they hold towards their organizations, and reasons for this mistrust. It will also evaluate the degree to which negative symptoms of survivor syndrome are evident within their hidden attitudes and emotions through helping obtaining some understanding for emotions which are held by survivors towards their organizations. This detailed discussion can help in obtaining more insights about the violation of their psychological contracts. It can also help in obtaining more information about any special incidents which might have changed the perceptions, attitudes, and behavior of survivors (Cooper and Schindler, 2008). The interviews were decided to be
semi-structured to allow for more confidentiality and willingness of interviewees to respond, share, and elaborate their thoughts and opinions (Cooper and Schindler, 2008).

### 3.3 Research Sample/ Sampling Techniques

While deciding whether to select the participants in the study on sampling or census basis, sampling basis was selected rather than census. This is for some reasons which nominate sampling to be more beneficial like fewer costs, more accurate results obtained especially if the sample is accessible, more rapid rates of data collection due to controlled number of participants (Cooper and Schindler, 2008). A total of 120 surveys were distributed. However, only 101 respondents adequately responded to the surveys. The survey had a response rate of 84%. \( n = 101 \). For the characteristics of the sample, it included 101 survivors who are employed within selected organizations. The targeted employees in the sample are expected to be from public sector, private sector, and Non Governmental Organizations (NGOs). The inclusion of NGO along with private and public sector companies is due to the increased proportion of individuals who joined NGOs recently in Egypt. Moreover, including both public and private sector companies is due to the fact that public and private sector companies are likely to have various perspectives on layoffs due to some aspects related to employee insurance, contracts, salaries, labor unions, and management practices. As mentioned earlier in the literature, public firms might have layoffs in forms of privatization, or low governmental available budgets. In general, as mentioned by Tsai and et al (2006), firms whether public or private are implementing downsizing practices as the most effective restructuring strategy helping them realize higher profits, higher share prices, maintain their competitive position, overcome managerial difficulties, and adapt to environmental shifts. In the case of Egypt, layoffs are actually taking place in public sector companies which are sold to private owner through privatization. This process keeps few employees within sold firms, while other laid off victims can hardly find other places to work in. Sometimes it can be even worse when sold companies are closed till they are converted into other businesses. In this case all employees become jobless and all become victims. The public sector companies can be firms which were privatized years ago or firms which still operate in the public sector till nowadays. In addition, Egyptian governmental firms cannot dismiss employees as they have contracts which provide job security to employees who only quit work when they retire and are paid their pension funds. Therefore, layoffs in public firms are likely to have the form of early retirement programs for employees. This is not the case in private firms which might downsize due to factors related to their competitiveness, market share, or other various motivations which were previously discussed in the literature. The other private companies can be operating in major sectors like banking, real estate, or alliances. It was previously mentioned that Egypt nowadays face some economic hardships due to the political instability, and that is why it is expected to have high rates of layoffs, unemployment within the current period due to the inability of some firms to pay salaries to their employees.

About the demographics of the respondents, both genders were targeted. Yet, it was expected to have larger number of male respondents due to the fact that some female employees might be absent for longer periods due to family obligations. This makes some companies prefer to hire male employees to guarantee their availability for longer periods with fewer vacations like women counterparts. The participants were expected to be from all managerial levels within their organizations; these respondents can be manual workers who are responsible for running machines, performing manual tasks like answering the phone, responding to customers, or taking orders from customers. There were no limitations which are based on age, seniority, or gender.

More specifically, the selected employees to participate in the survey were selected according to simple random sampling which is one of the probability techniques; it will be used due to its easiness and convenience in terms of costs and time spent, and equality among participants as each one has the same probability to get selected (Cooper and Schindler, 2008). Depending on the total number of employees within each organization, a simple classification will be done to distinguish those survivors within each organization from those who might have joined the organization after it has downsized. Then the simple random technique will be employed to select survivors who will participate in the study and fill the survey. This classification in important as employees who joined the organization
after it had downsized cannot assume same feelings and attitudes of survivors who already witnessed the entire process and how management treated victims.

3.4 Research Instruments

As mentioned above, both surveys and follow up interviews were implemented; more details are discussed below.

The Survey: The survey includes three main sections; the first section consists of eleven items which help obtaining some basic demographic information about respondents. These questions help gather information about the respondents’ gender, age, current work nature; whether the employee was full-timer, part-timer, or working on a contractual basis, the employment status ‘employed, unemployed’, the type of the firm; ‘if it is an NGO, a public, a private sector firm’, tenure and length of service with the firm, the level of obtained education; if the respondent had only high school degree, a diploma, a bachelor degree, or pursuing a post-graduate degree. The respondents were asked if they were members in labor unions. Also these variables were expected to be related to dependant variables of the study; as higher educational levels might help the survivor to better adjust to downsizing as he/she perceives it as a positive change or makes him/her more willing to enhance skills and competencies to remain employed within the firm. While the age factor is also important; as older employees are supposed to be more attached to their firms and less likely to voluntarily quit their jobs due to their attained seniority levels too which make them unwilling to search for new opportunities with other firms. So the degree of organizational commitment was expected to be positively related to seniority, education, and age. As for younger employees, they are relatively more concerned with the mental conviction and value of their performed work, so they are expected to be less affectively attached to the organization. In the online version of the survey, respondents were asked if they had witnessed a layoff in their current organizations. The respondent who responded by stating that he/she was dismissed was recognized to be a layoff victim; and therefore he/she was not required to answer the survey, while the respondent who states he/she is still employed after the layoff is considered a layoff survivor. This question was necessary in the online version of the survey to confirm that the respondent is a downsizing survivor, and not a victim; so any victims who answered the survey online would not be included in the sample.

Semi-structured Interviews: The interview had an expected time of 15-30 minutes. Six major questions which address the following aspects were asked to each of the three interviewees. ‘What do you think were the actual motivations for your company to lay-off its employees?’ ‘Can you please explain to us which reasons encourage you to remain employed within your firm?’ ‘Do you believe that downsizing created more positive changes in the workplace, and why?’ Describe what you believe was most negative about management undertaken layoff strategy? ‘If you think downsizing was not properly handled ‘Do you feel threatened by the idea of being the next one dismissed, and why?’ ‘To what extent do you feel more stress and workload post-layoffs?’ As previously indicated, these questions of the follow up interviews were developed to realize better understanding of the degree to which commitment among survivors was affected; to assess the type of commitment which is shaping their responses; if they were staying with their firms because they love to, need to, or ought to. The questions also helped in obtaining more information about hidden negative perceptions related to management honesty, and openness with its employees.

3.4.1 The Research Variables

As mentioned above, the survey was measuring the impact of procedural justice on organizational attachment and voluntary turnover among survivors; more details of the research variables are presented below.

Independent Variable: The independent variable of procedural justice was explained in the literature by many researchers who stated that procedural justice refers to degree of fairness by which downsizing procedures and processes are conducted; whether they are consistent among people, free
of bias and hidden unclear agendas, and if they are based on clear ethical standards it means the degree to which management had procedures and criteria which were clearly defined against decisions made on bias based trends. When survivors believe they are to be communicated before any potential downsizing decision, they will be less threatened and more committed to their organization (Clay-Warner et al 2005). In the second section of the survey, there were main four questions measuring procedural justice. The first question had a Likert Scale with five items from (1 = Strongly Disagree, to 5 = Strongly Agree) sentence which assessed the degree of fairness by which survivors believe that their former colleagues were fairly treated and taken care of by management. The second sentence assessed the existence of clear unbiased consistent criteria when selecting dismissed employees; it follows the Likert scale; so the respondent could choose among five alternatives (strongly agree, agree, neutral, disagree, strongly disagree). The final two questions aimed to assess whether these laid off employees were adequately communicated and notified by management pre-downsizing, and finally if the organization allows its employees to participate and give suggestions when major organizational change is to take place (Spreitzer and Mishra, 2002; Clay-Warner et al., 2005).

Dependent Variables: the third section of the survey aimed to measure the dependant variables which are organizational commitment, and voluntary turnover. These variables were measured to indicate the impact of procedural justice on each of these items which indicate the degree of survivor syndrome. The phenomenon of survivor syndrome was explained in the literature by many researchers (Makawatsakul and Kleiner, 2003; Virick et al, 2007; Appelbaum et al, 1997; McKinley et al, 1995) who mentioned some of its negative symptoms like declining employee morale and loyalty, management mistrust, poor performance, poor productivity, high turnover, frustration, anger, and job insecurity. They stated that survivors carefully detect how management treats other laid off workers and upon their perception whether they were fairly compensated or not, survivors shape their reactions and post-downsizing behaviors. That is why survivors’ perception of the downsizing process affects their performance and controls negative feelings held after downsizing, and this perception is revolving around the fairness by which management implemented its downsizing approach, and that it can be concluded through some aspects like previous communications with employees about changes facing the organization, keeping them updated about their future with their firm, providing some training programs for survivors to regain their self-confidence, and to be socially-responsible towards their its laid-off employees.

Organizational Attachment: a Likert scale was used through some statements requiring the respondents to indicate the extent to which they agree with each statement (from 5 = strongly agree to 1 = strongly disagree) with the following: ‘Regardless of my current job position, I am willing to remain employed within my organization,’ ‘I am proud to be an employee in this organization,’ ‘I am still willing to exert more effort beyond what is normally expected of me,’ ‘if I am offered higher salary in another firm, I will leave my current one,’ ‘I consider myself as being a loyal employee’ (Spreitzer and Mishra, 2002; Clay-Warner et al, 2005). Another question in which the respondent was required to select all that applies assesses dimensions of organizational commitment; the affective, continuance, and normative dimensions; by selecting the reasons encourage him/her to remain employed within their current firm; whether it was due to attachment to the organization, the need to remain employed. Ex: financial need and the mental conviction with work's value. And finally a Likert scale question measuring Job security was used to assess if the survivor’s job security was the same after layoffs or it declined.

Voluntary turnover was measured through assessing the intention of the respondent to quit. The respondent chose from a Likert five scale choices regarding if he/she was looking for another job opportunity in another company’ (Cross and Travaglione, 2004). Another question was used to get more information about whether respondents had increased their absence levels after layoffs were conducted (Cross and Travaglione, 2004).
3.5 Research Procedures

Once the survey was ready, it was piloted randomly to some employees to assess if it would help reaching the desired results. Twenty employees had read the survey and mentioned their comments about the language clearance, ambiguous meanings, and its length. About the procedures of the study, the first step in the procedure was to contact the proposed three companies; private, public, and NGOs to obtain their approvals for distributing questionnaires there. This step was expected to take some time, as these targeted firms ought to receive full description about the study, the survey’s elements, and to determine which days to be there to distribute it. The allocated time period for this phase was three weeks. Then, these firms specified names, numbers of surviving employees who were there when downsizing took place, and those employees who joined the company after the downsizing incidence. This action was necessary to avoid participation of employees who did not witness the downsizing. The selected participants were selected through random sampling as previously mentioned. The time period allocated for this phase was two weeks. After that, the third step was to distribute surveys. The surveys were first distributed among participants; this manual task took about two days, then another two days were be given to fill in the online surveys, and other three days were needed to translate the Arabic version into English format to provide consistency while analyzing data. This stage took two weeks period for each company, so there were total of four weeks needed for the stage of distributing surveys and interviews’ setting. After that, another four weeks were needed to analyze the results and obtain statistical indicators about the measured variables and the tested hypotheses. Finally there were two weeks to summarize the data gathered, form conclusions, finalizing the research, and presenting the findings of the study along with recommendations for future research.

3.6 Data Analysis:

The Statistical Package for Social Science Standard (SPSS) software was used to analyze the data collected data from the surveys. The data obtained from respondents (n=101) was entered into the SPSS in a period of two week. While the analysis of qualitative data obtained through follow up interviews was gathered in a period of week. As a first step, the frequency tables were used to obtain some insights of the respondents’ demographics, the studied relationship between procedural justice and symptoms of survivor syndrome. Frequency tables also present some bar charts which visualize the percentage of each item in the survey based on the respondents. Then cross tabs and Chi square were used to describe relationship between two variables and to obtain statistical information about the significance of the relationship between these two variables.

4. Results and Findings

This section shows the ways by which data collected was analyzed. The data analysis started by frequency tables and accompanying bar charts, then cross-tabulation was done. Afterwards, the correlation analysis was done, and it was followed by the simple regression analysis.

4.1.1 Frequency Tables

Table 1: the sample (n=101) included 57 males and 44 females. The following frequency table exhibited there was no missing answers the total valid number was 101 respondents. There was larger number of male respondents as previously expected. It was clear that previous expectation about larger number of male respondents was relatively true; as male employees outnumbered female counterparts.
Table 1: Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>57</td>
<td>56.4</td>
<td>56.4</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>44</td>
<td>43.6</td>
<td>43.6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2: Out of the 101 respondents, there were 36.6% (n=37) survivors below 30. While 42.6% (n=43) were between (31-45) years old, and 17.8% (n=18) were between (46-60) years old, and only 3% (n=3) were above 60.

Table 2: Age

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Below 30</td>
<td>37</td>
<td>36.6</td>
<td>36.6</td>
</tr>
<tr>
<td></td>
<td>Between (31-45)</td>
<td>43</td>
<td>42.6</td>
<td>42.6</td>
</tr>
<tr>
<td></td>
<td>Between (46-60)</td>
<td>18</td>
<td>17.8</td>
<td>17.8</td>
</tr>
<tr>
<td></td>
<td>Above 60</td>
<td>3</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Tables 3, 4: among the 101 respondents, 6.4% (n=61) were full-timers, 24.8% (n=25) were part-timers, and 14.9% (n=15) were working on a contractual basis. While the type of the firm showed that 61.4% (n=62) were working in private sector firms, and 30.7% (n=31) were working in NGOs, while only 7.9% (n=8) worked in public sector.

Table 3: Current Work Nature

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Part-time</td>
<td>25</td>
<td>24.8</td>
<td>24.8</td>
</tr>
<tr>
<td></td>
<td>Full-time</td>
<td>61</td>
<td>60.4</td>
<td>85.1</td>
</tr>
<tr>
<td></td>
<td>Contractual</td>
<td>15</td>
<td>14.9</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4: I am currently working in a

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Public Sector</td>
<td>8</td>
<td>7.9</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>Private Sector</td>
<td>62</td>
<td>61.4</td>
<td>69.3</td>
</tr>
<tr>
<td></td>
<td>NGO</td>
<td>31</td>
<td>30.7</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5: the educational level of respondents reflected that 73.3% (n=74) were bachelor holders, 7.9% (n=8) obtained a diploma degree, while only 2% (n=2) had a maximum education of high school, and finally 16.8% (n=17) were pursuing their post graduate studies. While table 6 concerning the position of respondents, 29.7% (n=30) were working as manual workers, 34.7% (n=35) were in middle management, while 35.6% (n=36) worked in senior management positions.
Table 5: My degree of education involved

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>High School</td>
<td>2</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>8</td>
<td>7.9</td>
<td>9.9</td>
</tr>
<tr>
<td></td>
<td>Bachelor Degree</td>
<td>74</td>
<td>73.3</td>
<td>83.2</td>
</tr>
<tr>
<td></td>
<td>Post-Graduate Studies</td>
<td>17</td>
<td>16.8</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 6: My current position

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Manual Worker</td>
<td>30</td>
<td>29.7</td>
<td>29.7</td>
</tr>
<tr>
<td></td>
<td>Middle Management</td>
<td>35</td>
<td>34.7</td>
<td>64.4</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>36</td>
<td>35.6</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 7: the question about the respondents’ tenure showed that among the 101 respondents, 46.5% (n=47) worked with their organization for a period less than 5 years, 36.6% (n=37) had a tenure between (6-10) years, only 7.9% (n=8) had a tenure ranging between (11-20) years, while only 8.9% (n=9) had a tenure longer than 20 years. Moreover, in table 8, it is evident that 82.2% (n=83) were not members in labor unions unlike the minority of 17.8% (n=18) who confirmed their belongingness to labor unions.

Table 7: I have been working for the organization for

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Between (0-5) Years</td>
<td>47</td>
<td>46.5</td>
<td>46.5</td>
</tr>
<tr>
<td></td>
<td>Between (6-10) Years</td>
<td>37</td>
<td>36.6</td>
<td>83.2</td>
</tr>
<tr>
<td></td>
<td>Between (11-20)</td>
<td>8</td>
<td>7.9</td>
<td>91.1</td>
</tr>
<tr>
<td></td>
<td>More than 20 Years</td>
<td>9</td>
<td>8.9</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101</td>
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</tr>
</tbody>
</table>

Table 8: I am a member in any labor unions

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td>18</td>
<td>17.8</td>
<td>17.8</td>
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<tr>
<td></td>
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<td></td>
<td>Total</td>
<td>101</td>
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<td>100.0</td>
</tr>
</tbody>
</table>

Table 9, among the 101 respondents (n=101), 21, 8% (n=22) strongly disagreed that layoff criteria was clear and consistent among dismissed employees, while the majority of 41, 6% (n=42) disagree about the consistency of layoff criteria, only 3% (n=3) were neutral, 23, 8% (n=24) agreed, and 9, 9% (n=10) strongly agreed.
Table 9: The layoff criteria was clear and consistent among all dismissed employees

<table>
<thead>
<tr>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td>Valid Strongly Disagree</td>
<td>22</td>
<td>21.8</td>
<td>21.8</td>
<td>21.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>42</td>
<td>41.6</td>
<td>41.6</td>
<td>63.4</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
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<td>3.0</td>
<td>66.3</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>23.8</td>
<td>23.8</td>
<td>90.1</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>10</td>
<td>9.9</td>
<td>9.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 10, the majority of 37.6% (n=38) disagreed about the sentence indicating that their dismissed colleagues were fairly treated by management, while 23.8% (n=24) strongly disagreed, 7.9% (n=8) were neutral, while 25.7% (n=26) agreed and had a belief that management taken care and fairly treated laid off employees. While only 5% (n=5) strongly agreed.

Table 10: I believe the dismissed colleagues were fairly treated and taken care of by management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td>23.8</td>
<td>23.8</td>
<td>23.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>38</td>
<td>37.6</td>
<td>37.6</td>
<td>61.4</td>
</tr>
<tr>
<td>Neutral</td>
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<td>69.3</td>
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<tr>
<td>Agree</td>
<td>26</td>
<td>25.7</td>
<td>25.7</td>
<td>95.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
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<td>5.0</td>
<td>100.0</td>
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<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 11, when respondents responded to the question considering if their organizations allowed for employees’ involvement and participation when major changes were to take place, the majority of 41.3% (n=64) disagreed, 15.8% (n=16) strongly disagreed, 34.7% (n=38) agreed, while only 5% (n=5) were neutral, and finally 3% (n=3) strongly agreed.

Table 11: My organization allows employees' involvement and participation when major change is to take place

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tr>
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<td>41.6</td>
<td>41.6</td>
<td>57.4</td>
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<tr>
<td>Neutral</td>
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<td>97.0</td>
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<tr>
<td>Strongly Agree</td>
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<td>Total</td>
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<td></td>
</tr>
</tbody>
</table>

Table 12, when asked if those laid off employees were communicated and informed before they got dismissed, the majority of 40.6% (n=11) disagreed, 30.7% (n=31) agreed, only 3% (n=3) were neutral, 3% (n=3) strongly agreed, while 22.8% (n=23) strongly disagreed.
Table 12: Those laid off were communicated and informed before they got dismissed

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
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<td>22.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>41</td>
<td>40.6</td>
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<td>63.4</td>
</tr>
<tr>
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<td>66.3</td>
</tr>
<tr>
<td>Agree</td>
<td>31</td>
<td>30.7</td>
<td>30.7</td>
<td>97.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
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<td>3.0</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 13, when asked about their loyalty, 12.9% (n=13) strongly disagreed, 25.9% (n=26) disagreed, while 23.8% (n=24) were neutral about their loyalty to their organizations, while 19.8% (n=20) agreed to the sentence, and the remaining 17.8% (n=18) strongly agreed.

Table 13: I consider myself as being a loyal employee

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<th>Cumulative Percent</th>
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<td>Valid Strongly Disagree</td>
<td>13</td>
<td>12.9</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
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<td>25.7</td>
<td>25.7</td>
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<td>Neutral</td>
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<td>62.4</td>
</tr>
<tr>
<td>Agree</td>
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<td>19.8</td>
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<td>82.2</td>
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<td>Strongly Agree</td>
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<td>Total</td>
<td>101</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 14, when asked about their proud to be part of their prospective organizations, 17.8% (n=18) strongly agreed, 20.8% (n=21) agreed, while 14.9% (n=15) were neutral. There was 27.7% (n=28) disagreed, and the remaining 18.8% (n=19) strongly disagreed to the sentence.

Table 14: I am proud to be an employee in this organization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
<td>Valid Strongly Disagree</td>
<td>19</td>
<td>18.8</td>
<td>18.8</td>
<td>18.8</td>
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<tr>
<td>Disagree</td>
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<td>27.7</td>
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<td>Neutral</td>
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<td>61.4</td>
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<tr>
<td>Agree</td>
<td>21</td>
<td>20.8</td>
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<td>82.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
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<td>17.8</td>
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<tr>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 15, among the respondents (n=101), 11.9% (n=12) strongly agreed that they were willing to remain employed with their firms regardless their job position, 22.8% (n=23) agreed, 19.8% (n=20) were neutral, about 20.8% (n=21) disagreed, and the remaining 24.8% (n=25) strongly disagreed.

Table 15: Regardless of my job position, I am willing to remain employed within my organization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
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<th>Valid Percent</th>
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<tr>
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<td>20.8</td>
<td>45.5</td>
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<td>Neutral</td>
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<td>65.3</td>
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<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
Table 16, when asked about their willingness to exert more efforts beyond what was normally expected of them, the majority of 27.7% (n=28) strongly agreed, 14.9% (n=15) agreed, 24.8% (n=25) were neutral, while 22.8% (n=23) disagreed, and 9.9% (n=10) strongly disagreed.

Table 16: I am willing to exert more effort beyond what is normally expected of me

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td>9.9</td>
<td>9.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Disagree</td>
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<td>22.8</td>
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<td>Agree</td>
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<tr>
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<tr>
<td>Total</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 17, among the 101 respondents, 41.6% (n=42) strongly agreed to the question asking them about them leaving their current organizations if they were offered higher salary in another firm, 14.9% (n=15) agreed, while 8.9% (n=9) were neutral, while 20.8% (n=21) disagreed, and the remaining 13.9% (n=14) strongly disagreed to the sentence.

Table 17: If I am offered higher salary in another firm, I would leave my current one

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
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<td>14</td>
<td>13.9</td>
<td>13.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>21</td>
<td>20.8</td>
<td>20.8</td>
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<tr>
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</tr>
<tr>
<td>Agree</td>
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<td>14.9</td>
<td>58.4</td>
</tr>
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<tr>
<td>Total</td>
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<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 18, when asked about the reasons encouraging them to remain employed, the majority of 27.7% (n=28) indicated it was due to their financial need, while 15.8% (n=16) were emotionally attached to their organizations, while 21.8% (n=28) were mentally convinced of the value of their work. Moreover, 10.9% (n=11) remained employed because of their financial need and attachment, 12.9% (n=13) were mentally convinced and attached, while 5.9% (n=6) were mentally convinced and in financial need as well. While about 5% (n=5) remained because their financial need, mental conviction, and attachment.

Table 18: Which reasons encourage you to remain employed within your firm?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td>15.8</td>
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<tr>
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<td>27.7</td>
<td>43.6</td>
</tr>
<tr>
<td>Mentally Convinced</td>
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<td>21.8</td>
<td>21.8</td>
<td>65.3</td>
</tr>
<tr>
<td>Attached and Financial Need</td>
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<td>10.9</td>
<td>76.2</td>
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<tr>
<td>Attached &amp; Mentally Convinced</td>
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<td>12.9</td>
<td>12.9</td>
<td>89.1</td>
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<tr>
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<td>5.9</td>
<td>95.0</td>
</tr>
<tr>
<td>Attached, Financial Need, and Mentally Convinced</td>
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</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
Table 19 shows that about 31.7% (n=32) agreed to the sentence indicating they were looking for another job opportunity, 22.8% (n=23) strongly agreed, only 3% (n=3) were neutral to the sentence, while 23.8% (n=24) disagreed, and finally 18.8% (n=19) strongly disagreed.

Table 19: I am currently looking for another job opportunity in another company

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Disagree</td>
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<td>18.8</td>
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<tr>
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<tr>
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<tr>
<td>Total</td>
<td>101</td>
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<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 20 showed there was only total of 4% (n=4) respondents who agreed to the sentence stating that their absence rates increased after layoffs were conducted, 29.7% (n=30) agreed, 26.7% (n=27) were neutral, 18.8% (n=19) disagreed, while about 20.8% (n=21) strongly disagreed.

Table 20: My absence rates increased after the layoffs were conducted

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td></td>
</tr>
<tr>
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<tr>
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<td>18.8</td>
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<td>Agree</td>
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<td>29.7</td>
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<tr>
<td>Strongly Agree</td>
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<tr>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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</tbody>
</table>

Table 21, the question was addressing the job security levels of survivors, the majority of 37.6% (n=38) disagreed, 28.7% (n=29) strongly disagreed, 30.7% (n=30) agreed, while only 3% (n=3) strongly agreed.

Table 21: Layoffs took place. However, My Job Security level in my current organization is the same.

Correlation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td></td>
<td></td>
</tr>
<tr>
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<td>28.7</td>
<td>28.7</td>
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<tr>
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</tr>
</tbody>
</table>

Correlation analysis was performed to examine the relationship between two the variables of the current study in a linear way. Bivariate correlation was used to show the significance of the relationship between the independent variable represented in procedural justice, and the two dependent variables represented in organizational attachment, and intention to leave ‘voluntary turnover’. Moreover, the direction and level of this relation were shown; whether it was negative or positive, and whether it was strong, medium, or low.

First, the correlation between procedural justice and organizational attachment, by looking at the correlation table, the correlation seems to be positive. This positive relation indicates the fact that when levels of procedural justice are high, the levels of organizational attachment among survivors increase as well. Moreover, the correlation Pearson coefficient was 0.879 which reflects a strong relationship. The significance level was 0.000, this was less than 0.05 and therefore it reflected a high
significance level. Hence, a regression analysis will be performed for this relationship between procedural justice and organizational attachment. While the correlation between procedural justice and intention to leave showed a negative relationship. This means that when levels of procedural justice are high, the intention to leave; Voluntary turnover, and absenteeism tend to be lower. The Pearson correlation was equal to -0.764 indicated a strong relationship between the two variables. Moreover, the significance level was 0.000 which was also less than 0.05 and therefore indicated a high significant relationship. This meant a regression analysis was to be performed.

**Correlation 1: the relationship between procedural justice and organizational attachment**

<table>
<thead>
<tr>
<th></th>
<th>Procedural Justice</th>
<th>Organizational Attachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedural Justice</td>
<td>Pearson Correlation</td>
<td>.879(**),000,101</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000,101</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>1</td>
</tr>
<tr>
<td>Organizational Attachment</td>
<td>Pearson Correlation</td>
<td>.879(**)</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000,101</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

**Correlation 2: the relationship between procedural justice and intention to leave**

<table>
<thead>
<tr>
<th></th>
<th>Procedural Justice</th>
<th>Intention to leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedural Justice</td>
<td>Pearson Correlation</td>
<td>-.764(**),000,101</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td></td>
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<tr>
<td>Intention to leave</td>
<td>Pearson Correlation</td>
<td>-.764(**),000,101</td>
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<td></td>
<td>Sig. (2-tailed)</td>
<td>.000,101</td>
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<tr>
<td></td>
<td>N</td>
<td>1</td>
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</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

**Regression Analysis 1: Procedural Justice and Organizational Attachment**

Variables Entered/Removed (b)

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Procedural Justice(a)</td>
<td>.</td>
<td>Enter</td>
</tr>
</tbody>
</table>

a  All requested variables entered.

b  Dependent Variable: Organizational Attachment

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.879(a)</td>
<td>.773</td>
<td>.771</td>
<td>2.30515</td>
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a  Predictors: (Constant), Procedural Justice
ANOVA(b)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
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<td>1</td>
<td>1790,953</td>
<td>337,044</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>526,057</td>
<td>99</td>
<td>5,314</td>
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</tr>
<tr>
<td></td>
<td>Total</td>
<td>2317,010</td>
<td>100</td>
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</table>

a Predictors: (Constant), Procedural Justice
b Dependent Variable: Organizational Attachment

Coefficients(a)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>8,645</td>
</tr>
<tr>
<td></td>
<td>Procedural Justice</td>
<td>901</td>
</tr>
</tbody>
</table>

a Dependent Variable: Organizational Attachment

According to the previous correlation table, a high significance was clear in both relationships examined. Therefore, regression analysis was necessary to more explain these relationships between Procedural Justice as the independent variable and the dependent variables which are organizational attachment and intention to leave.

First regression analysis is done to elaborate the relationship between procedural justice and organizational attachment. In the table of model summary, R square indicates the percentage of change in the independent variable due to changes in the independent variable. R square refers to the coefficient of determination, while R refers to the correlation coefficient. In addition, to get this percentage of change, R square was multiplied by 100%. The result was 77.3% indicating a 77.3% increase in the organizational attachment among survivors when procedural justice increases. Moreover, by calculating the difference between adjusted R-square and R square, the degree of sample convenience can be obtained; the difference was (0.773-0.771 = 0.002), this small difference reflects that the sample was very convenient to examine the tested relationship between procedural justice and organizational attachment. By moving to the ANOVA table, it was shown that the ANOVA was equal to 0.000 which indicated a significant relationship between the two variables; this significance was clear as the ANOVA was less than 0.05. And finally, the equation of Y=Bo+B1.X was indicated by the coefficient; in this equation, X refers to the independent variable ‘Procedural Justice’, while Y refers to the dependent variable ‘Organizational Attachment’. So the equation is: (Attach) = 8.645+ 0.901. (PJ).

Regression Analysis 2: Procedural Justice and Intention to leave

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Procedural Justice(a)</td>
<td>.</td>
<td>Enter</td>
</tr>
</tbody>
</table>

a All requested variables entered.
b Dependent Variable: Intention to leave
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.764(a)</td>
<td>.584</td>
<td>.579</td>
<td>1.66918</td>
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</table>

a Predictors: (Constant), Procedural Justice

ANOVA(b)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
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<td>Regression</td>
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<td>.000(a)</td>
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<tr>
<td></td>
<td>Residual</td>
<td>99</td>
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<td></td>
<td>Total</td>
<td>100</td>
<td>662,515</td>
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</table>

a Predictors: (Constant), Procedural Justice
b Dependent Variable: Intention to leave

Coefficients(a)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant) Procedural Justice</td>
<td>10.232</td>
</tr>
</tbody>
</table>

a Dependent Variable: Intention to leave

By performing the regression analysis for the relationship between procedural justice as the independent variable and the intention to leave as the dependent variable, it was shown that R square ‘coefficient of determination’ which indicates the percentage of change in the intention to leave due to changes in procedural justice was equal to 58.4% obtained by multiplying (0.584*100%). This indicates a change of 58.4% in survivors’ intention to leave when procedural justice changes. Moreover, by calculating the difference between adjusted R-square and R square, the degree of sample convenience can be obtained; the difference was (0.584-0.579 = 0.005), this small difference reflects that the sample was very convenient to examine the tested relationship between procedural justice and organizational attachment. By moving to the ANOVA table, it was shown that the ANOVA was equal to 0.000 which indicated a significant relationship between the two variables; this significance was clear as the ANOVA was less than 0.05. And finally, the equation of Y=Bo+B1.X was indicated by the coefficient; in this equation, X refers to the independent variable ‘Procedural Justice’, while Y refers to the dependent variable ‘Intention to leave. So the equation is: (Intention to leave) = 10.232-0.419*(PJ).

5. Discussion and Conclusion

5.1 Discussion

Beginning by the survey, the data analysis was performed using the SPSS, some tests were conducted; there were the frequency tables which revealed some information about the respondents. Afterwards, the correlation analysis was done to examine the relationship between the independent variable of procedural justice and dependent variable of organizational attachment and voluntary turnover. The correlation showed a significance relationship between the variables in both cases. That is why the regression analysis was further performed to reach a conclusion about the nature of the relation. The regression showed a positive relationship between procedural justice and organizational attachment, and a negative relationship between procedural justice and voluntary turnover. These finding supported the hypotheses of the study; as it proved that higher levels of procedural justice were
associated with higher levels of organizational attachment and less levels of voluntary turnover among survivors. While the three follow up interviews revealed interesting insights about the perception of employees about management fairness and the ways those survivors respond to layoffs; the three respondents from NGO, public sector, and private sector all agreed upon the lack of fairness in Egyptian organizations, and that performance was not the major criterion shaping management decisions concerning employees’ dismissals or promotions. It was revealed also how that some employees might have no proud by belonging to their organizations. However, these survivors did not react negatively by exhibiting less efforts or loyalty, and this was due to some religious beliefs which encourage them to perform their duties no matter the return was. Moreover, it was believed that even if the employee improved his/her skills and competences, management would exploit the employee without proper compensation. However, one respondent mentioned that an employee should always improve his/her performance to reach better future job opportunities.

This study confirmed the finding of previous researchers who studied the impact of layoffs on survivors within organizations; it confirmed the fact that layoffs generally affect survivors in negative ways. Moreover, it did not conflict with previous researchers who stated that perceived organizational justice had an important role in shaping and predicting survivors’ response to layoffs. That is why the current study adds value to future researchers who might be interested in studying this topic.

5.2 Limitations

Just like any other study, there are limitations in current research paper. Some of the limitations are related to the methodology, and some others are related to the body of the literature. First of all, there cannot be a generalization of results to Egyptian firms whether private sector, public sector, or NGOs. As after all, one firm from each sector is not representative for the whole sector with all its aspects, motivations, and desired outcomes of downsizing. So it is not possible to build a conclusion about all organizations in the three sectors just with conducting one single study. Another limitation about the interviews, the number of interviewees was small and it was not enough to get one representative from each sector to reach conclusions about the entire organization’s survivors. Moreover, the very low response rate in public sector companies prevented the researcher from obtaining more information about the nature of layoffs in public sector firms. In addition, the sample is not large enough to draw such accurate and precise results about examined variables; this means there should have been more coverage for the targeted sample of organizational survivors to reach more generalizable and representative sample. Some limitations which exist in the implementation of surveys as the sole research method; as it is not possible to include all dimensions of the examined relation through some questions in the survey. The deep nature of psychological aspects of human behavior within their organizations can be better assessed through implementing some qualitative research methods like direct observations, and case studies in more than one firm, or even some focus groups which can be studied and noticed for some longer periods. But this is not available in the current study for constraints which relate to time, costs, and availability of technically skilled and professional staff and individuals who could help in conducting the research in more professional and formal way. And finally, there should have been more variables to measure to reach better conclusions about the examined relation between perceived procedural justice and resulted survivor syndrome negative symptoms. Unfortunately, only few variables are considered in the research design due to time constraints, and the short nature of the survey which was used in the study.

5.3 Recommendations for Future Research

There are some future recommendations which can be useful for future researches on the considered topic. Some of these recommendations are based on the limitations of current study. First recommendation is about the sample size which needs to be larger in future studies to be more representative. Moreover, the interviews should be more than those three in the study; this is a necessity to obtain deeper insights about the examined relation between organizational justice and survivor syndrome. The second recommendation is about the number of variables which should be considered when studying the examined relation; future researchers should develop and use more
measures to assess each variable in the study. In addition, some information could be useful if added to the questionnaire; for example: monthly income is a factor which can be useful when evaluating the reasons why survivors could remain with their organizations; especially in the current research when about 28% respondent mentioned that they mainly remained employed due to their financial need. This is an interesting insight in a developing country like Egypt where people have low income levels and low opportunities to choose among. And finally, future research should also focus on both NGOs and public sector companies; as some public sector companies are privatized and the employees lost their jobs, also some NGOs still do not have their rights like their counterparts in private sector.

5.4 Conclusion

The current research aimed at examining the impact of downsizing on surviving employees within Egyptian organizations. The paper started with clarifying the logic behind making Egyptian organizations the focus of the study. The research then provided an introduction for the term downsizing, and how downsizing is not only limited to personnel layoffs, but rather can include elimination of whole departments, and organizational units. It was mentioned how many researchers had many perspectives and aspects when they defined the word downsizing. It was explained how downsizing differs from organizational decline; as downsizing is an outcome of organizational decline, or is considered as a strategy to face this organizational decline. The factors which are affecting downsizing decisions were also listed along with detailed explanation of how some external social and institutional factors affect layoffs, in addition to some internal factors like organizational culture, and strategy. Then the various approaches to it like reorientation and convergence were discussed with explaining how both approaches are different in terms of their causes and outcomes. The research provided an overview of various downsizing strategies which are workforce reduction, systematic strategies, and organization work redesign. It clarified how those three strategies differed in terms of aspects, motivations to conduct them. The three perspectives on downsizing which are the economic, institutional, and socio-cognitive perspectives were also presented along with the relation among them. After that, an overview on organizational survivors was presented; it included the definition for survivors, their four types which are constructive, destructive, active, and passive. The responses which are exhibited by survivors were deeply explained and they are fearful, obliging, cyclical, and hopeful response. The different factors which shape survivors’ responses were listed and they are distributive justice, procedural justice, employee empowerment, trustworthiness in management, existence of clear communications, and work redesign. Then the psychological effects of downsizing on survivors were presented; the paper mainly examined three common phenomena which occur among survivors, these phenomena are voluntary turnover, violation of psychological contract, and survivor syndrome. It was explained how these three outcomes are a result of declining organizational commitment and attachment of survivors after downsizing occurs. Moreover, some figures were presented to provide an overview about the linkage between the six factors which affect survivors’ responses and other emotional and behavioral outcomes. Refer to Figures 2, 3 (Spreitzer and Mishra, 2002).

In order to answer the research’s question “what is the relationship between of procedural organizational justice and survivor syndrome?” a mixture of both quantitative and qualitative methods were implemented. Data was collected from three Egyptian companies; private sector, public sector, and NGOs. The study took about three months. The sample included (n=101) survivors from mainly private sector companies and NGOs. However, there was very low response rate in public sector because of the fact that no pure layoffs occur there; employees rather are offered early retirement programs, or they could be laid off through privatization which could make all employees lose their jobs. Data analysis was performed using SPSS, and the findings supported the proposed hypotheses of the research. Afterwards, some limitations which relate to both the methodology and literature were discussed along with some recommendations for future research concerning the relationship between procedural justice and survivor syndrome.
6. References


Cascio, F. (1993). Downsizing: What Do We Know? What Have We Learned? The Executive, 7, 95-104


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(Dear Respondents, please take the time to answer this survey which is designed for obtaining a Bachelor Thesis at the German University in Cairo. The aim of the survey is to assess the relationship between degree of Justice Perceived during Downsizing and survivors’ responses post-layoffs).

* Required

7. Appendix

7.1 Appendix A: “Procedural Justice and Survivors’ Responses Survey”

Section 1 (Demographics)

(This section helps obtaining some basic information about Respondents)

Kindly answer the survey if you are a downsizing survivor… Choose the answer that best describes you please.

1. Gender*
   - Male
   - Female

2. Age*
   - Below 30
   - Between 31-45
   - Between 46-60
   - Above 60

3. Current Work Nature*
   - I am a part-timer
I am a full-timer

☐ I am a contractual worker

4. I have witnessed a layoff process within my Current Organization. *
   ☐ Yes. However, I did not lose my job yet ‘I am a survivor’.
   ☐ No, it did not initially conduct layoffs.

5. I am currently employed in the same firm which undertook layoffs. *
   ☐ Yes
   ☐ No

   ☐ Employed
   ☐ Unemployed

7. I am currently working in.*
   ☐ A Public sector company
   ☐ A Private sector company
   ☐ A Non Governmental Organization (NGO)

8. My degree of Education Involved.*
   ☐ Maximum Education is high school degree
   ☐ A Diploma Degree
   ☐ University Degree (Bachelor Thesis)
   ☐ Post-Graduate Studies (ex: Masters Degree)

   ☐ Manual Worker
   ☐ Professional (Middle management)
   ☐ Professional (Senior management)

10. I have been working for the current organization for.*
    ☐ 0-5 Years
    ☐ 6-10 Years
    ☐ 11-20 Years
    ☐ More than 20 Years

11. I am a member in any Labor Unions.*
Section 2

(This section asks the respondents about their perception of the fairness by which layoffs were conducted, and the way Management treats its employees)

Please indicate your Level of Agreement for each of following statements:

12. I believe that dismissed colleagues were fairly treated and taken care of by Management.*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

13. ‘I believe the Layoff criteria were clear and consistent among all dismissed employees’. *
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

14. My organization allows for Employees’ participation and involvement when major organizational changes are to occur.*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

15. Those laid off colleagues were communicated by Management and informed before they got dismissed.*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

Section 3

(This section helps assessing the impact of procedural fairness on Survivors’ Organizational Attachment, and Intention for Voluntary Turnover).
16. ‘I consider myself as being a loyal employee to my current organization.’*
   1. Strongly Agree
   2. Agree
   3. Neutral
   4. Disagree
   5. Strongly Disagree

17. ‘I am proud to be an employee in my current organization.’*
   1. Strongly Agree
   2. Agree
   3. Neutral
   4. Disagree
   5. Strongly Disagree

18. ‘Regardless of my current job position, I am willing to remain employed within my organization.’ *
   1. Strongly Agree
   2. Agree
   3. Neutral
   4. Disagree
   5. Strongly Disagree

19. ‘I am still willing to exert more effort beyond what is normally expected of me even after layoffs took place.’*
   1. Strongly Agree
   2. Agree
   3. Neutral
   4. Disagree
   5. Strongly Disagree

20. Which reasons encourage you to remain employed within your firm?*
   - I am attached to my organization
   - I need to remain employed. Ex: Financial need
   - I am mentally convinced with my work's value

21. ‘If I am offered higher salary in another firm, I will leave my current one.’*
   1. Strongly Agree
   2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree

22. ‘I am currently looking for another job opportunity in another company.’*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

23. ‘My current absence rate increased after layoffs were conducted.’*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

24. ‘Layoffs took place. However, My Job Security level in my current organization is the same.’*
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree

Thanks a lot for your time and cooperation

Appendix B: Interview with Answers

We will have a (25-30) minutes’ interview to get more insights about the fairness of management procedures in undertaking layoffs, how you perceive this fairness. Any obtained answers will be kept anonymous.

1. ‘What do you think were the actual motivations for your company to lay-off its employees?’
   Could you explain the main indicators which affected your perception of layoff fairness? (Do you think it was based on seniority, age, tenure, or other criteria)?

2. ‘Do you believe that downsizing created some changes in the workplace, and why?’ Could you explain whether these changes were negative or positive?
3. ‘Do you feel threatened by the idea of being the next one dismissed, and why?’ ‘To what extent do you feel more stress and workload post-layoffs?’ You think if you developed your current skills and competencies, you might not be dismissed?

4. If your firm offered you an opportunity for career self-selection. Would you resign? Why would you accept or reject the idea of leaving the company? Do you think it is necessary for you to remain employed?’

5. How was your overall performance affected? More specifically: Do you think the procedures and means by which layoffs were conducted are reflected on your loyalty and proud of belonging to the organization? How was your exerted effort affected by layoffs? Did you begin to exert less effort? Explain the reasons.

   Thanks a lot for your time and cooperation
A Comparative Analysis of Decision Making Style of CEOs in SMEs in Oman and India

Naveen Safia, Sultan Qaboos University, Sultanate of Oman

Abstract

The CEO of an organization has a great responsibility on his shoulders in terms of giving the direction to the company he steers at times, in uncharted territories. Effective decision making, the result of his competency, capabilities, knowledge, expertise and ability to take right decisions at the the right time can propel the company to be a market leader. Good decisions will be a trump card for him in driving the company forward profitably while satisfying all other stakeholders of the organization - employees, customers and the society at large.

However, the quality of decisions taken by CEOs depend on the availability of information and database. At times, Decision Making skill in private enterprises requires to be operated in situations of high uncertainty, tight time pressures, often emotionally charged as it involves huge amount of profit margins and opportunity cost.

In a survey conducted to CEOs of Small and Medium scale Enterprises in Oman and India, an offshoot of my PhD thesis, an attempt is made to compare the influencing factors in decision making environment and identify the dominant style; be it sequential, logical, global or personable. Empirical, theoretical, pedagogical contribution of the data was analyzed.
Measuring Consumers’ Luxury Brand Perceptions of Apparels in an Emerging Market

Hatice Dogan Sudas, Cukurova University, Turkey
Ali Kara, Penn State University, United States of America
Serap Cabuk, Cukurova University, United States of America

Extended Abstract

Although there is no clear consensus among scholars about the definition of a “luxury product,” traditionally it is accepted that luxury products bring prestige to its owner (Grossman and Sharpiro, 1988). Luxury brands considered to “…evoke exclusivity, have a well-known brand identity, enjoy high brand awareness and perceived quality” (Phau and Prendergast, 2001). Hence, luxury products are related to pleasure and comfort and also they are hard to obtain (Shukla and Purani 2012). From the marketers’ perspective, luxury helps companies to differentiate their brands in a product category and it is an important factor in consumer preference and usage (Wiedmann, Hennigs and Siebels 2007).

Reports show that the global market for luxury brands has grown rapidly over the past two decades despite economic weaknesses, market crisis and destabilizing exchange rate fluctuations around the world (D’Arpizio, 2014). Moreover, surveys show “unprecedented demand” for luxury products in emerging markets (The Report, 2013). Although the size of luxury market has been increasing over the last decades, research in this area has been lacking and little is known about luxury brand purchase behavior of emerging market consumers (Wiedmann, Hennigs and Sebels 2007). Hence, it is imperative to empirically investigate and measure emerging market consumers’ perceptions of luxury goods for segmenting and positioning decisions. However, before such investigation can be done, it is crucial to first develop valid scales to measure the “luxury” construct.

While several academic researchers have attempted to define and model “luxury,” delineating and measuring it has been challenging for the researchers due to the abstract or elusive nature of the concept. Literature shows that there is little agreement among researchers about the dimensions of luxury construct as perceived by customers (Wiedmann, Hennigs and Siebels 2009). In their article, Vigneron and Johnson (2004) offered a scale to measure luxury perceptions in five dimensions. The first three dimensions reflected non-personal perceptions (conspicuousness, uniqueness and quality) and the other two dimensions reflected personal dimensions (hedonism and extended-self). However, Vigneron and Johnson (2004) state that “…perceived luxury levels of particular brands vary among consumers due to differing cultural and psychographic characteristics.” Hence, the BLI scale may not be applicable in different cultural environments of the emerging markets. Furthermore, an increasing number of consumers express serious interest in various social responsibility issues which has led to the emergence of “responsible luxury” notion (Kim and Ko, 2012). However, none of the dimensions of the BLI scale captures the social and environmental issues in consumers’ luxury perceptions. Although we praise the efforts of the development of the BLI scale for measuring consumers’ luxury perceptions, we strongly argue that the scale does not address consumers’ sustainability dimension of luxury perceptions—an important emerging aspect of consumer behavior.

Therefore, the main objective of this study is to re-examine the dimensionality of “luxury” perceptions and present a modified measurement scale that captures the critical dimension of consumers’ luxury perceptions. In this paper, we agree with the conceptualization offered by Vigneron and Johnson (2004) but we attempt to adapt it by incorporating sustainability...
dimensions to measure the luxury product perceptions of consumers in an emerging market. In other words, we hope to capture and represent the appeal of “being green” or “sustainable” in the luxury product perceptions because consumers are increasingly demanding that the products they buy do not harm the environment. Furthermore, the luxury brand marketers could use “sustainability” as a reason to persuade consumers to pay for high-priced products; hence sustainability has become increasingly more relevant to both customers and the marketers. Although the use of validated existing measures offers significant benefits, pursuing scale development that are designed to capture to changing nature of consumer behavior and applicable in different contexts would contribute more the practice and research in this area.

Scale items for the sustainability dimension, an added dimension of luxury construct, were obtained from the literature. To test the validity and psychometric properties of the scale, we have conducted an empirical study in Turkey. A total of 218 usable questionnaires were collected from female customers shopping in the well-known luxury apparel retailers located in the exclusive shopping centers. Preliminary results of our statistical analyses revealed the existence of ‘exclusiveness’, ‘sustainability’, ‘self-directed pleasure’ and ‘prestige’ dimensions in the luxury construct among Turkish apparel consumers. The implications of this research are significant for marketers and researchers in the field of luxury brands. Some study limitations are recognized and caution need to be used in extending our findings to unlike environments. Further testing of the dimensionality of the luxury construct is needed in different environments by the future studies to validate our findings.

**Keywords:** luxury perception dimensions, luxury apparels, prestige, sustainability, emerging market.
Assessing the National Credit Regulator’s Perception on the Effectiveness of the Debt Counsellors’ Practices in South Africa

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Abstract

The vast expansion in credit buying, the instability of interest rates and the resulting involvement by consumers into heavy indebtedness beyond their means has been a call for concern for the South African government. In addressing this problem, the government introduced the National Credit Act No. 34 of 2005 with the aim of providing access to consumer credit and the general regulation of consumer credit. In support of this objective, the National Credit Regulator was established in 2006 and it was tasked with the regulation of the South African credit industry. The debt counselling service was subsequently introduced in 2007 to assist the over-indebted consumers.

The aim of this paper is therefore to investigate the role that the National Credit Regulator is playing in making sure that debt counselling service is effectively managed by debt counsellors. A qualitative approach, which was exploratory in nature, was adopted for this study. Ten employees from the National Credit Regulator’s office were interviewed. There was no evidence that debt counsellors were managing the debt counselling service effectively. It was also observed that the debt counsellors received insufficient support from the National Credit Regulator. The paper recommends that the National Credit Regulator should adequately support the debt counsellors so that they can effectively manage debt counselling service and ultimately assist the over-indebted consumers. Debt counsellors should also be exposed to personal financial management as part of their training.

Keywords: over-indebtedness, personal financial management, National Credit Act, National Credit Regulator, South Africa
Why Do People Give Wasta? An Exploratory Investigation into Informal Influence in the Arabian Gulf

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Abstract

Wasta (Arabic term for pull or connection) refers to the process of using personalistic links based on close friendships, kinship ties, and family relationships in order to secure favors, privileges or resources, often from a third party. In the Arab world, wasta is enacted through social, business, or political networks and involves sharing information, exercising influence, and applying power. While a body of work exists on cross-cultural comparisons of the related concepts – guanxi, jeitinho, svyazi, and “pulling strings” – scant research efforts have been devoted to empirical exploration of wasta as a distinctive process of informal influence. The purpose of this qualitative study was to explore the reasons underpinning the decision “to give wasta”. Such an understanding is important for an accurate evaluation of the function that this process plays in the society. Qualitative data were obtained from eight participants through in-depths interviews. Study participants were professionals from different organizations, industries, and sectors in Oman’s Muscat metropolitan area. All study participants had first-hand experience of wasta. The semi-structured format of the interviews facilitated consistency and flexibility in the data collection. The interviews were digitally recorded, transcribed verbatim and closely examined for salient themes. The analysis of the interview data revealed four reasons behind the decisions to give wasta: a perception of wasta as a socio-cultural expectation and obligation, a view of wasta as a source of psychological gratification from exercising one’s power, the use of wasta as a strategic tool in expanding one’s network of influence, and the application of wasta as a relationship maintenance device. The study discusses managerial implications of the proposed conceptualization of the reasons for giving wasta.

Keywords: wasta, connections, pulling strings
Ownership Structure, Innovation and Firm Performance: Evidence from Tunisia

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Abstract

This article examines the relationship between the ownership structure and firm performance through the innovation level with respect to the Tunisian context. Based on contractual and cognitive corporate-governance perspectives, firm performance is directly assessed through the mode of ownership structure and innovation level. In addition, our adapted model includes some control variables such as the firm size, activity sector and whether it is listed or not. Through this model, we seek to highlight the extent to which the innovation level acts as a mediating variable between the internal corporate-governance mechanism and performance. The empirical study conducted pertains to a sample composed of 95 Tunisian firms regarding the period 2006-2007. The performed linear-regression results show that the relationship between ownership concentration and managerial ownership, on the one hand, and firm performance, on the other, turns out to be meditated by the firm innovation-level. Similarly, an attempt has been made to demonstrate that the banks’ shareholding has had no influence on determining the firm performance through innovation policies in so far as Tunisian firms are concerned.

Keywords: Ownership concentration, managerial ownership, banks’ shareholding, innovation, firm performance, mediator.

1. Introduction

The firm’s ability to innovate is usually regarded as a major determinant of its performance level. However, most of the governance contractual-approach relevant works argue that without an appropriate control system reducing the managerial discretion and asymmetric-information1 pertinent problems, the efficiency of innovations would not be able to contribute in improving the corporate value. These phenomena are further accentuated primarily due to the characteristics of innovation, namely: the long-time potential horizon (Xu and Zhang, 2004), a higher risk-rate (Nekhili and Poincelot, 2000) as well as specific feature of such an investment (Williamson 1988; Shleifer and Vishny 1992).

Owing to the fact that managers can be induced to under-invest in innovating for the sake of maximizing their own utility rather than the shareholders’ wealth, works pertaining to finance assume that investors have different control modes at their disposal which they can use to align interests and enhance such investments. In fact, the ownership structure constitutes an internal type of control system over the managers’ practices. Indeed, most works pertinent to the relationship between corporate-governance systems and innovation (Hill and Snell 1988; Baysinger et al. 1991; Porter 1992a and b; Bushee 2001; Lee and O'Neill 2003; Hosono et al. 2004; Lee 2005; Zouari-Hadiji and Zouari 2010 a and b) partly confirm the role played by the ownership structure in reducing conflicts of interest prevalent among stakeholders and, therefore, the managers’ behaviour tendency with regard to innovation.

1 Charreaux (2001) demonstrates that information asymmetry is usually considered as the major source of interest conflicts among stakeholders, leading to distortions in matters of innovation, especially through its features.
Although the contractual approach to corporate-governance does have certain advantages to offer in terms of simplicity and relative efficiency-measure (concerning value creation), it also shows some shortcomings (Charreaux and Desbrières 1998), as highlighted by the meta-analysis studies dealing with corporate governance². Motivated by these shortcomings, our purpose lies in developing a new research line whereby the trend distinctive features are integrated into a single value-creation model. More specifically, the current cognitive tendency helps enrich the understanding of corporate governance in such a way that the learning and innovation concepts become central aspects. Actually, this theory emphasizes the importance of skills and knowledge as major factors of the value creation process (Charreaux, 2002) and gives more impetus to the study of the corporate-governance mechanisms’ role in promoting innovative projects. Within the scope of this framework, the efficiency highly sought by any firm becomes a continuously dynamic concern or discipline. It is measured by its ability to create value in a sustainable manner through learning and innovation (Charreaux, 2004).

Based on the corporate governance theories with their both cognitive and contractual factions, we intend to justify the theoretical associating prevailing between the ownership structure and innovation. To our knowledge, and after an exhaustive literary search, it has been discovered that studies attempting to incorporate the three dimensions into a single perspective, namely: ownership structure, innovation, and performance, are very scarce or almost absent, this leads to the justification that the theoretical foundation of these relationships proves to be complex. These interrelationships must be specified by including the mediating concept of innovation activities. This implies that the direct relationship between the ownership structure and performance turns out to be rather an indirect relationship through the interference of the firm’s innovation-level of influence. In this configuration, the innovation level acts as a mediating variable between such an internal corporate governance mechanism and performance.

Thus, one might well wonder whether the cognitive and contractual theories of corporate governance, using the innovation variable as a detecting assessment measurement of growth opportunities, can well explain the firm performance.

To address this problem, a hypothetico-deductive approach has been adopted to treat the following two sections. The first section presents the theoretical model which postulates that ownership structure can have a certain influence on performance. In the midst of this direct relationship, some variables interfere prominent among which is the innovation level. In addition to its being influenced by ownership structure, this variable influences, in turn, the firm performance. As for the second empirical section, it aims at testing the innovation level’s potential effect as a mediator between the ownership structure and performance, in three separate models (one model for each ownership structure variable).

2. Theoretical foundations and hypotheses

It is worth highlighting that the risk level, temporal horizon and asset specificity, as major supports of innovation, are sources of conflict inducing cognitive and agency costs among shareholders, creditors, and managers. Hence, governance mechanisms turn out to be necessary to align the interests, impose a special effect on every source of conflict and consequently, act to privilege the innovation, as a major source of value creation. The managers’ tendency to opt for such an investment to achieve a certain performance highly depends on the degree of ownership concentration, managerial proprietorship, and bank-shareholding. In this respect, we propose to examine the innovation mediating role in the

² Initially, it has a relatively limited normative explanatory power of the governance system (especially within firms whose governance profile is not of an Anglo-Saxon nature). Besides, it assumes that a passive manager’s behavior is supposed to undergo disciplinary action mechanisms, which may lead to an overestimation of their efficiency. Similarly, the current composition of the shareholding structure is far from being covered and targeted initially and exclusively by Berle and Means (1932).
relationship dominating the shareholding structure and performance. This undertaking, we reckon, would allow to check, whether the concerned indirect effect does exist or not.

2.1. Ownership concentration, innovation and firm performance

The managers’ tendency to increase performance through implementing innovation projects largely depends on the main shareholder’s contribution bearing a twofold objective, namely, apprehending the investor’s role in its entirety as well as better understanding of his participation in the value-creation process through adopting innovation strategies. This is partly intended to explain a remarkable proportion of variation in firm performance (O'Sullivan 2000; Tylecote and Ramirez 2005). Indeed, ownership concentration is considered as a means applied to enhance the innovation policy, thus improving the firm performance.

In addition to their amount of capital contribution and the number of votes they hold, shareholders are in position not only to monitor\(^3\) managers, but also influence the latter’s decisions so as to act according to their objectives. In this context, Huson et al. (2004) observe that the rotation of managers is ineffective since their future prospect is firmly tied to that of the firm. Consequently, they have no tendency to hesitate in matters of innovation. Similarly, Roe (1993), Nagarajan et al. (1995) and Aguilera et al. (2011) suggest that the majority shareholders’ stability and the long-term relationship are likely to lead to a mutual-trust relationships and long-run commitment from all partners, thus encouraging managers to invest in innovative activities. In this regard, the leaders’ management will be ensured through a logic of persistent cooperation. They all have an interest in adopting innovative strategies for the purpose of satisfying the shareholders’ interests. In this perspective, Anderson and Reeb (2003) have highlighted that ownership concentration has the advantage of promoting the benefit-seeking practices by means of innovative projects.

Subject to the shareholders’ effective control, managers would then have an incentive interest to increase the firm’s value. Should the firm performance deteriorate, shareholders can dismiss ineffective managers and elect new ones (Kaplan and Minton 2006). Similarly, Chaganti and Damanpour (2006) state that owner-controlled firms pursue a profit-maximizing behavior and would be more inclined to invest in innovation projects for the sake of high performance. Hence, shareholders detaining a block of shares would encourage and enhance the manager to adopt an innovative strategy to maximize and add more value to their equities.

The fact that the principal shareholder’s commitment in financing of innovative strategies is a necessary condition for the success of these strategies, this requires considering the legitimate reasons lying behind such a commitment. Thus, the principal’s commitment would have its explanation in the level of knowledge he possesses in respect of such projects. On exercising control, the main shareholder is able to clearly identify the characteristics of an innovation strategy (in terms of risk or generated resources’ potential). Agency problems are reduced owing to the fact that the dominant shareholders have "both an overall interest in profit maximization, and enough control power over the firm assets to have their interests being respected" (Shleifer and Vishny, 1997). In this regard, the founding shareholder simultaneously plays both financial as well as cognitive role. Similarly, with reference to Charreux (2002 b), this recognition of the shareholders’ cognitive role still has no original peculiarity, since this function has originally existed in most of the firms whose founder-entrepreneur would exercise simultaneous cognitive and financial functions, in the sense that he would contribute with a vision and skills.

\(^3\) According to the "confinement" theory of institutions, Aoki (1984) and Kochlar and David (1996) state that shareholders would be prisoners of their position, given the importance of their participation in the firm capital. The high output costs enclose them in a long-term relationship with the firm. The only option available to them is to use their voting power to control the managers for an effective management of the firm.
More explicitly, shareholders detaining more power may use their voting rights whenever they wish and oppose takeover attempts following a decline in stock prices. This confirms the fact that the control-block holders are less affected by changes in short-term results and are more interested in long-run oriented investment maximizing their long-term wealth (Hosono et al. 2004). In this regard, the shareholder is regarded not only as a financial-resource provider but also of skills and knowledge (Charreaux 2002 b; Ocasio and Joseph 2005). Thus, the power enjoyed by the major shareholder allows him to supply his contribution for the sake of improving the firm’s performance through an effective innovation policy. A firm efficiency lies then in its ability to create a sustainable value through devising growth and innovation opportunities as well as setting up strategies to reduce agency and cognitive conflicts.

To sum it up, ownership concentration turns out to positively influence the performance by relying on the detection of growth opportunities provided by the innovation activities. From this perspective, ownership concentration appears to have an indirect effect on performance through the innovation level. So, the following hypothesis can be deduced:

**H1:** Ownership concentration positively influences the firm performance through innovation level.

### 2.2 Managerial ownership, innovation and firm performance

Managerial ownership, as one of the financial participation schemes used to stimulate the managers’ efforts, is an important determinant factor of innovation and, therefore, performance.

According to Charreaux (1991), the justification for the manager’s participation in their firm’s capital can vary significantly from one company type to another. This heterogeneity can bias the relationship between equity and performance. For this reason, we find it useful to guide the analysis towards studying the impact of this heterogeneity on innovation, as an appropriate indicator of value creation.

Supporting the monetary consequences of its investment decisions, the company manager-shareholder tends to satisfy his proper interests, in consistence with those of the different stakeholders. Hansen and Hill (1991) have discovered that managerial ownership provides a motivating incentive for managers to focus on the firm long-term viability. These managers would then take decisions likely to “maintain or promote product quality and innovation through R&D expenditures” (Johnson and Greening 1999, p. 570). Murphy (1985) suggests that managerial ownership helps align the management interests with the shareholders’ by rewarding it on the basis of firm performance. Managers are then motivated to increase the firm’s value and to ensure that their behavior is consistent with the shareholders’ objectives. Such a behavior encourages innovation, positively related to the firm’s market value (Ben-Zion, 1984).

Kang and Shivdanasi (1999), Chen et al. (2003) along with Chen and Yu (2012) also notice that the convergence effect outweighs the entrenchment one. Managerial ownership appears to be an effective means of regulating the conflicts inherent in separating the ownership functions and decision-taking ones and of encouraging managers to exert further efforts to generate innovative projects and give greater importance to the market growth by taking more adequate value-creative investment decisions.

In this context, Cho (1992) and Himmelberg et al. (1999) have shown that the managers’ participation in the firm’s capital is likely to reduce agency costs and increase the innovation level. Similarly, Abdullah et al. (2002) stress that for high levels of participation, managers are more inclined to increase spending on innovation by making their financial well-being contingent with the firm’s long-term growth prospects and, therefore, with the firm performance.

The manager’s shareholding impact on innovation is also strengthened by his cognitive skills. Indeed, he detains a specific knowledge allowing him to well master the innovation-projects risk. In this sense,
the manager’s efforts pertain not only to executive-agency costs but also to cognitive ones. The cognitive knowledge of the well-trained professional manager, enjoying a solid background in management, is needed to develop innovative projects. Similarly, the managers’ long career spent in a particular company or industry enables them to enrich their knowledge about technological trends special to that industry or sector and makes them more open to investing in innovation, an undertaking necessary to take advantage of these changes (Daellenbach et al. 2002).

In this perspective, the value-creation process takes on a new dimension. Indeed, it is not exclusively restricted to a mere minimization of an agency or cognitive costs; rather, it concerns the source of value. In this perspective, the managers’ willingness to disclose information regarding innovation activities should enable to reduce imposed interest and cognitive-related conflicts stemming from the implementation of such risky investments and, consequently to promote the firm’s value.

On the whole, two major effects of managers’ shareholding on firm performance can be deduced. Firstly, a direct effect which is manifested by the reduction of agency and cognitive costs relevant to innovative-projects development, through holding the specific knowledge pertinent to improving firm performance. Secondly, an indirect effect on the firm performance produced through innovation activities, as essential components of value creation. As a result, innovation appears to have a mediating effect on the relationship between managerial ownership and firm performance. The latter will be linked to the manager’s capacity to invent, detect and devise new opportunities (Lazonick and O’Sullivan, 2000). So, the following hypothesis can be extracted:

H2: Managerial ownership positively influences the firm performance through innovation level.

2.3. Bank ownership, innovation and firm performance

Examining the bank’s contribution can be assessed its capital participation, academic training and commitment to finance such risky and long-term investment as the innovative projects.

When the proportion of bank-held shares is relatively lower than the loans they accord to firms, banks would tend to favor their proper interests as creditors. The arising relationship that binds the firm to its investors is a phenomenon that might impede the achievement of risky investments such as the innovative projects. So, banks need to increase the yield of their lent capitals and invest in short-term projects to get the most stable turn-over possible. This idea is confirmed by Grinblatt and Titman (1998) who assume that the banks’ major concern will be to ensure that the manager-taken investment decisions are targeted towards lower volatility of their cash flows.

In the case when close relationships are established between firms and banks, the latter are considered as loyal owners (Porter, 1992a) holding a large and long-term portfolio. Their portfolio concentration would allow them to follow strategies likely to promote the establishment and maintenance of long-term high-confidence relationships with a cooperative-nature tendency (Dickerson et al.1995). Consequently, managers do not have to be concerned about the market day-to-day reaction and can go on focusing on the long-term prospect. The monitoring executed by banks and their informational advantage lead the manager not to deviate to a short-term behavior and to keep on elaborating innovation strategies. In this respect, Bushee (2001) has discovered a negative relationship binding the loyal owners (banks) and the expenditure-policy reduction as regards innovative projects. According to the author, the importance of their participations prevents them from undertaking a brutal abandonment of the firm. The unique solution that remains available to owners is to engage in closer monitoring actions in a bid to protect their wealth and increase the other shareholders’ value.

Banks’ involvement in financing risky projects could be explained by the degree of their knowledge mastery with regards to these specific investments. In this sense, one can attribute the firm increased-value following banks’ presence as shareholders, not only to the latter’s effectiveness of control, but also to the importance of their enjoyed skills and expertise in improving the firm value. In this vein, Eng and Shackell (2001) consider banks’ shareholding as being an enhancement means for managers...
to invest in innovative projects in a bid to improve the firm’s future performance. In fact, the bank is appropriated a portion of the created wealth, should it be able to develop specific firm-related expertise, owing mainly to the continuous business relationship, which can in turn ensure a simultaneous control function. Indeed, the bank may provide some ideas relevant to the partnership, acquisition or cease of activity through its intermediary role. Besides, it can also help construct and maintain a specific-asset type of network. From what has been mentioned, the bank, as a partner, is involved in the development of a firm-related data base allowing it to provide special cognitive resources.

In addition, these developments lead to overtake the traditional lending-relationship representation to understand the bank-firm relationship and its contribution to the value-creation / appropriation process. Hence, the understanding the origin of the value-creation process would allow to examine the banks’ cognitive contribution. Thus, they prove to play a significant role in the firm performance. Indeed, Kor and Mahoney (2005) have noted that banks do play an effective role in the electronics sector in Taiwan. They are involved in strategic decisions and, therefore, exert a positive effect on firms’ performance. Omri (2002) has noticed that banks’ presence in the Tunisia administrative Board of Directors has a statistically significant effect on firm performance.

In general, the banks’ participation in capital turns out to have a direct and, above all, indirect effect on firm performance. The indirect effect is conditioned upon the implementation of innovation strategies, major determinants of value creation. Thus, innovation seems to have a mediating effect regarding the relationship between bank ownership and firm performance.

**H3:** Bank ownership positively influences the firm performance through innovation level.

3. Empirical analysis

This section is aimed at checking whether there exists an indirect relationship between ownership structure and firm performance through the innovation process. Initially, the first sub-section is devoted to explained and explanatory variables as well as the multivariate-analysis method. The presentation and interpretation of this study’s results will be subject of the second section.

3.1. Data presentation and variables’ measurements

For each empirical study, it is necessary to take some preliminary steps pertinent to the sample composition, variables measurement, and appropriate statistical tools.

3.1.1. Data collection

In so far as the present research is concerned, our focus of attention has been laid on the problematics of the link established between ownership structure, innovation and firm performance. This study will then deal with the following points, namely:

1. the role played by the corporate-governance internal actors, particularly by owners, in implementing the innovation strategies;
2. the innovation-strategies’ influence on firm performance;
3. the innovation’s mediating effect on the relationship between ownership structure and firm performance.

For an empirical testing of these relationships, and given the variables diversity constituting our research, these variables have been collected from various essential data sources.
The database determination has been made easier with the consultation of the directory guide of the commercial and industrial firms’ available at the Industry-Promotion Agency (IPA). Data collection has been carried out by means of a questionnaire as a means of collecting information. The survey has been conducted over the years 2006/2007 among a sample of manufacturing Tunisian firms located in the areas of Greater Tunis, Sfax, Sousse, and Nabeul.

Ended questions have been used to ensure rapid data collection. Regarding the present research case, 200 firms have been contacted. However, a very strong aversion from the part of some firms has been noted in the disclosing information. This lack of collaboration has caused a limit to the sample size which has been reduced to 95 anonymous non-financial Tunisian firms (17 among them are listed on the Tunis Securities Stock Exchange and 78 are not quoted), thus representing an effective response rate of 47.5%.

A complementary information collection regarding the financial statements has also been carried out with the Tunis Securities Stock Exchange. Data concerning unlisted firms, and due to the lack of a concise database, we have been obliged to collect data necessary for the completion of our empirical analysis through a survey conducted within the firms themselves and with expert-accountants.

The following table depicts the firms which were subjects of the study sample and their sectoral affiliation.

<table>
<thead>
<tr>
<th>Activity Sector</th>
<th>Number of Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>30</td>
</tr>
<tr>
<td>Chemistry, Pharmaceutical</td>
<td>8</td>
</tr>
<tr>
<td>Mechanics and Metallurgy</td>
<td>10</td>
</tr>
<tr>
<td>Textile, Apparel, Footwear</td>
<td>12</td>
</tr>
<tr>
<td>Electrical and Electronic Appliances</td>
<td>15</td>
</tr>
<tr>
<td>Building Materials, Ceramics and Glass</td>
<td>9</td>
</tr>
<tr>
<td>Information-Technology Industries</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
</tr>
</tbody>
</table>

3.1.2. Variables’ measurements

The variable to be explained, “firm performance”, is measured by the average Return On Equity (ROE = net income / equity), the average Return On Assets (ROA = earnings before interest and after tax / total assets) during three-year period (2004 - 2006).

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4 The questionnaire does not appear in the form of a simple series of questions, but a measuring instrument to be constructed in a logical and coherent manner, while ensuring to make the interviewee feel at ease and interested (Evrard et al, 2003). Thus, the order of the questions (or the questionnaire dynamics) plays an interesting role. In fact, there is no systematically-applied method to determine the sequence of questions; still, some rules have to be respected such as accuracy, simplicity and the neutrality of questions.

5 In such a case, we are required to keep to our promise as regards the preservation of these reports’ anonymity for the sake of maintaining professional secrecy.
To measure the variable "level of innovation" ("INDINOV"), the weighting method\(^6\) has been applied. To do this, we assign to each item used the value 1 if the respondent has checked "yes" and 0 otherwise. The innovation score is calculated as follows:

\[
INDINOV_i = \sum_{j=1}^{14} I_j / n
\]

with:
- \( I_{\text{INDINOV}_i} \): standing for the level of innovation calculated for firm \( i \);
- \( I_j \): being a binary variable that takes the value of 1 if the item is checked by the respondent and 0 in the opposite case;
- \( n \): representing the total number of items used to measure the firms’ innovation level.

Regarding the ownership structure, three explanatory factors of the firm’s innovation level have been retained, namely: the ownership concentration, managerial ownership, and banks’ ownership:

- the empirical studies are not unanimous as regards the impact of the investors’ types on innovation activities\(^7\). To test the majoritarian-proprietorship impact on innovation, we undertake to use the ownership concentration ("CONPRO") as a variable reflecting the shareholder’s identity. Indeed, possess at least 50% of its capital. Hence, the largest shareholder is liable to take control of the firm. This variable takes the value 1 if the largest shareholder owns more than 50% of the firm capital, and 0 otherwise (Shabou, 2003);
- The operability of the "managerial ownership" ("PRODGT")\(^8\) variable is dichotomous in type. It takes the value 1 if the manager is the owner and holds a scientific training in the different areas of engineering or in the field of technology, and 0 otherwise (Jarboui et al. 2009);
- Banks’ ownership is also used to examine the shareholder's financial and cognitive contributions, particularly of banks\(^9\). Thus, we use the percentage of capital held by a bank as a measure of their shareholding participation in the capital ("PROBQ" Shabou, 2003)\(^10\).

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\(^6\) In the studies pertaining to disclosure, two score-calculating methods have been applied. The first dubbed "simple" consists in summing up for each firm the total of obtained points after reading the information medium (questionnaire in our case) and the second, called "weighting", consists in weighting the obtained scores through the highest score in the sample or through the number of items making up the relevance index.

\(^7\) Indeed, Francis and Smith (1995) suggest that firms with managerial-ownership structures have increasingly resorted to the development of external acquisition rather than to implementing internal R&D projects. Conversely, however, other studies show that family-owned firms, or those controlled by majority owners seem to be positively related to the intensity of R & D or innovation (Kurokawa et al. 2004). Munari et al. (2005) show that this relationship proves to be negative.

\(^8\) Our concern is to examine the shareholders’ financial and cognitive roles. We seek to demonstrate the importance of the managers’ participation in the capital and management running pertinent to the intangible and innovation activities. In this regard, the firm could take advantage and profits from its members in terms of financial and human resources, skills, reducing uncertainty to increase its legitimacy and achieve its collective goals (Lacetera, 2001). This leads us to consider whether the owner, who provides a financial contribution and a scientific background in the field of engineering in its various branches or technology, is also himself the one who assumes the management responsibilities. Thus, he holds the power and knowledge necessary to achieve the innovation projects successfully. Such a reasoning may help examine the shareholder’s financial and cognitive contributions in implementing and monitoring of innovation-based strategies, in consistency with our approach.

\(^9\) Several empirical studies have examined the presence of these investors in a disciplinary perspective. The major results show that bankers are more or less reluctant to finance R&D pertinent investments and, therefore, innovation (Damodaram, 1999). Nevertheless, their involvement in financing innovation-projects could be justified by the importance of knowledge they hold in the field. This highlights the importance of the cognitive and financial capital the shareholder could bring to the firm.

\(^10\) In the absence of exact information regarding the shareholders’ voting rights of, we reckon to retain the same method applied by Paquerot Alexander (2000), with a one single voting right being related to each share.
For the sake of reaching more reliable findings, we have introduced some control variables corresponding to the firm size ("LOGTA"), the activity sector ("SECT") and the firm listing ("COT").

3.1.3. Hypotheses modelling

We undertake to test the existence of a mediating effect by means of the hierarchical regressions method\(^\text{11}\) for the purpose of comparing the overall effect of the variables blocks. As far the check of this effect, it is achieved by constructing three models in which each ownership-structure constituent variable is treated through a specifically-pertinent model.

Baron and Kenny (1986) have proposed four conditions relevant to test a complete mediating effect of M in the context of an X-Y relationship depicted as follows:

- **Condition (1):** variable X should have a significant impact on variable Y.
- **Condition (2):** variable X should have a significant impact on M.
- **Condition (3):** The mediator-supposed variable M must significantly influence variable Y when the influence of the variable X on Y is controlled.
- **Condition (4):** The significant influence of the variable X on Y must vanish when the effect of M on Y is statistically controlled.

We, then, distinguish four stages related to three hypotheses to affirm the existence of a mediating effect of innovation: (1) the ownership structure influences significantly and positively the innovation level, (2) the innovation level influences significantly and positively the firm performance, (3) when the influence of innovation on firm performance is taken into account, the ownership structure will have no significant effect on the performance and finally, (4) the direct effect of ownership structure on performance should be null or reduced by the insertion of the mediator variable (innovation) to deduce its mediating effect within the relationship.

Econometrically, we will estimate the models one to three testing the indirect relationship between ownership concentration and firm performance. These models would enable to validate the hypothesis \(H_1\) (\(H_{1.1}, H_{1.2}, H_{1.3}, \text{ and } H_{1.4}\)), and their formulations are:

\[
(1) \quad \text{PERF}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
(2) \quad \text{INDINOV}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
(3) \quad \text{PERF}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i 
\]

As for the equations four to six, they would test the indirect relationship between managerial ownership and firm performance through the innovation effect. These equations would enable to validate the hypothesis \(H_2\) (\(H_{2.1}, H_{2.2}, H_{2.3}, \text{ and } H_{2.4}\)) and are formulated as follows:

\[
(4) \quad \text{PERF}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i \\
(5) \quad \text{PERF}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i \\
(6) \quad \text{PERF}_i = \beta_0 + \beta_1 \text{CONPRO}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i 
\]

\(^{11}\) In this work, the treatment of mediating variables should follow the approach as devised by Baron and Kenny (1986). This framework, which aims at testing the mediating effect, is implemented via a multiple-hierarchical regression. This analysis consists in assessing the total effect (cumulative) of the explanatory variables on a certain criterion. The method can be performed on the basis of several steps. Firstly, it undertakes to test the predictor’s effect (independent variable) firstly on the criterion (dependent variable) and, secondly, on the mediator using partial and simple regressions. Then, the other relationship has to be tested (predictor and mediator on the criterion). In this case, a multiple-hierarchical regression has to be applied. It consists in gradually introducing into the regression-equation certain independent variables: starting with the predictors and control variables (Step 1), then the mediating variable (Step 2). On reaching an increase in the adjusted R² after inserting the mediator, one is able to assume the mediator’s effect on the relationship between the predictor and the criterion.
PERF_i = \beta_0 + \beta_1 PRODGT_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{INDINOV}_i = \beta_0 + \beta_1 PRODGT_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{PERF}_i = \beta_0 + \beta_1 PRODGT_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i \\

Regarding the equations seven to nine, they should test the indirect relationship prevailing between the shareholder banks and firm performance through innovation. These equations would enable validating the hypothesis H3 (H3.1, H3.2, H3.3, and H3.4), whose formulations are:
\begin{align*}
\text{PERF}_i &= \beta_0 + \beta_1 \text{PROBQ}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{INDINOV}_i &= \beta_0 + \beta_1 \text{PROBQ}_i + \beta_2 \text{LOGTA}_i + \beta_3 \text{SECT}_i + \beta_4 \text{COT}_i + \varepsilon_i \\
\text{PERF}_i &= \beta_0 + \beta_1 \text{PROBQ}_i + \beta_2 \text{INDINOV}_i + \beta_3 \text{LOGTA}_i + \beta_4 \text{SECT}_i + \beta_5 \text{COT}_i + \varepsilon_i 
\end{align*}

with,
- \text{PERF}_i: firm i performance measured by ROA and ROE ratios,
- \text{CONPRO}: Binary variable which takes the value 1 if the largest shareholder of firm i holds more than 50% of shares, and 0 inversely,
- \text{INDINOV}: Innovation Index of firm i,
- \text{PRODGT}_i: A binary variable which takes the value 1 if the owner-manager of firm i has a training background in technology or engineering, and 0 inversely,
- \text{PROBQ}_i: A continuous variable: the percentage of capital held by institutional investors of firm i,
- \text{LOGTA}: The natural logarithm of total assets of firm i,
- \text{SECT}_i: A binary variable which takes the value 1 if the firm i belongs to a high-tech industry sector, and 0 inversely,
- \text{COT}_i: A binary variable which takes the value 1 if the firm i is listed, and 0 inversely,
- \beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5: Parameters to be estimated,
- \varepsilon_i: The random error,
- i = 1, ..., 95.

3.2. Results’ presentation and interpretation

This section is aimed at presenting the test results of the three hypotheses binding the proprietorship structure apprehended by the ownership concentration, managerial ownership, and banks’ shareholding to the firm performance through the innovation level.

3.2.1. Assessing the model hypotheses "ownership concentration / innovation / firm performance"

The purpose of this hypothesis is to test the mediating role of the innovation-level variable ("INDINOV") in the relationship between the ownership concentration ("CONPRO") and firm performance ("ROA" and "ROE"). To expose our hypothesis, we have estimated some distinct regression-models regarding each of the four steps of the Baron and Kenny (1986) procedure.

Model 1 (reduced model) encompasses the independent variable as well as the control variables, predicting firm performance. As for model 2 (reduced model), it seeks to explain the variation of the variable "INDINOV" (a third-step mediating variable) through the variable "CONPRO" along with some control variables. Regarding model 3 (full model), it covers all the variables: the independent variable (CONPRO), the mediating variable (INDINOV) together with the control variables (size, sector and listing) in a bid to explain the firm performance.

Based on the results of Table 2, the first condition is satisfied, as model 1 (which tests the relationship between the variable "CONPRO" and "ROA") shows a moderately weak explanatory power (adjusted R^2 = 0.051). The overall quality of the model is significantly acceptable (F = 2.250, p < 10%). It is likely that at least one of the explanatory variables brings a significant contribution amidst the overall fluctuations marking the Return On Assets (ROA). However, once performance is measured by "ROE", the concerned model turns out to have a weak explanatory power (adjusted R^2 = 0.019) along
with an insignificant Fisher’s test (F = 1.458; p = 0.222). As for the Student tests, they reveal that the variable "CONPRO" has a positive and significant impact on performance regardless of the measure applied (for "ROA" β = 0.053, t = 2.331, p < 0.05; and for "ROE" β = 0.045, t = 2.245, p < 0.05). Indeed, this result does validate the sub-hypothesis (H1_a).

Concerning the purpose of the second step, it consists in demonstrating the existence of a relationship between the "CONPRO" and "INDINOV" variables. Model 2 highlights that the overall quality is statistically significant at a threshold of 5% and that the variable "CONPRO" is positively and significantly associated with the "INDINOV" pertinent to Tunisian firms (β = 0.259, t = 2.590, p < 1%, see table 2). Thus, the second condition of the Baron and Kenny (1986) approach is verified. These results lead to accepting the sub-hypothesis (H1_b).

### Table 2 – Hierarchical-regression results of steps 1 and 2 (Models 1-2)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1 Model 1</th>
<th>Step 2 Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome: Firm performance</td>
<td>Outcome: Innovation Index</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
</tr>
<tr>
<td>Control variables</td>
<td>LOGTA</td>
<td>2.80E-03</td>
</tr>
<tr>
<td></td>
<td>SECT</td>
<td>2.799E-03</td>
</tr>
<tr>
<td></td>
<td>COT</td>
<td>7.210E-03</td>
</tr>
<tr>
<td>Predictor</td>
<td>CONPRO</td>
<td>5.342E-02</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.051</td>
<td>0.019</td>
</tr>
<tr>
<td>F value</td>
<td>2.250*</td>
<td>1.458 n.s</td>
</tr>
</tbody>
</table>

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

An examination of Table 3 results reveals a positive and significant relationship between the innovation level index ("INDINVT") and both of the firm-performance indicators ("ROA" and "ROE"). So, the innovative investments appear to help improve the firm’s economic and financial performance in conformity with the studies conducted by O'Sullivan (2000), Anderson and Reeb (2003), Tylecote and Ramirez (2006), and Aguilera et al. (2011).

With regards to model 3 (full model), it is checked to verify the third innovation condition mediating between the variable "CONPRO" and firm performance ("ROA" and "ROE"). The hierarchical regression-analysis results indicate that innovation (as a potential mediating variable) remains significant in explaining the dependent variable (both forms of firm performance) on considering the predictor variable. The statistical coefficient of the variable "INDINOV" has had a positive and significant value relative to the ROA (β = 0.326, p < 1%) and also in respect of the ROE (β = 0.274, p < 1). Based on these achieved results, the third condition proves to be, in turn, entirely fulfilled. This achievement allows supporting the sub-hypothesis (H1_c).

The ultimate condition that needs to be verified is the effect of the predictor variable ("CONPRO") on the dependent variables ("ROA" and "ROE"), which should not be significant once the potential mediator ("INDINOV") has been considered. Model 3 (full model) indicates that on monitoring the "INDINOV", that a less important but significant link persists between the "CONPRO" and "ROA" (β = 0.023, t = 1.884, p < 0.1). Thus, the significance of such a relationship ("CONPRO" and "ROA") is less important than that reached throughout the first condition verifying the Baron and Kenny (1986) procedure. Similarly, model 3 also shows that the variable "CONPRO" is positively associated with the "ROE", although this relationship does not appear to be statistically significant (β = 0.031, t = 1.610, p > 10, see Table 3).
The fourth condition necessary for a variable to be considered a mediator is not entirely respected. In this case, innovation acts as a partial mediator between "ownership concentration" and "firm performance". Actually, the effect of X on Y occurs both directly and indirectly. This result leads to support the mediating-effect partial hypothesis. Thus, hypothesis \( (H_{1,4}) \) can be accepted and, consequently, the hypothesis H1 turns out to be valid.

According to Table 3, and regarding both measurements of performance, model 3 (full model) appears to have an interestingly-adjusted explanatory power. Thus, this full model, which takes into account the mediating effect of innovation, enable to increase the percentage of explained variance compared to Model 1. In the case where performance is measured via "ROA", adjusted R² goes from 0.051 to 0.137 and the F statistic presents a more significant value at a threshold of 1%. Similarly, when performance is measured through "ROE", adjusted R² passes from 0.019 to 0.117 and the F statistic testifies that model 3 turns out to be significant as to model 1 (a non-significant model). This increase in adjusted R² is naturally related to the consideration of the innovation level’s mediating effect. Thus, the variation in adjusted R² for both models associated with the addition of the mediating variable proves to be significant (8.86% and 10.6%). This shows that this variable appears to be an affective predictor of the dependent variable i.e. firm performance.
Table 3 - Hierarchical-regression results of steps 3 and 4 (Model 3)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 3</th>
<th>Step 3 &amp; Step 4 Model 3</th>
<th>Step 3 &amp; Step 4 Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome: Firm performance</td>
<td>Outcome: Firm performance</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>β</td>
<td>t</td>
<td>β</td>
</tr>
<tr>
<td>ROE</td>
<td>β</td>
<td>t</td>
<td>β</td>
</tr>
<tr>
<td>β</td>
<td>8.796E-02</td>
<td>0.100 n.s</td>
<td>7.436E-02</td>
</tr>
<tr>
<td>t</td>
<td></td>
<td></td>
<td>2.993E-03</td>
</tr>
<tr>
<td>β</td>
<td>3.795E-02</td>
<td>1.243 n.s</td>
<td>5.215E-02</td>
</tr>
<tr>
<td>t</td>
<td></td>
<td></td>
<td>2.589E-02</td>
</tr>
<tr>
<td>β</td>
<td>-3.182E-02</td>
<td>-0.917 n.s</td>
<td>-7.836E-02</td>
</tr>
<tr>
<td>t</td>
<td></td>
<td></td>
<td>1.822E-03</td>
</tr>
<tr>
<td>β</td>
<td>0.350</td>
<td>2.499**</td>
<td>0.470</td>
</tr>
<tr>
<td>t</td>
<td></td>
<td></td>
<td>0.326</td>
</tr>
<tr>
<td>β</td>
<td>4.174E-02</td>
<td>4.174E-02</td>
<td>1.884*</td>
</tr>
<tr>
<td>t</td>
<td></td>
<td></td>
<td>1.610 n.s</td>
</tr>
</tbody>
</table>

Adjusted R² | 0.051 | 0.069 | 0.137 | 0.117 |
F value | 2.264 *** | 2.755** | 3.983*** | 3.489*** |
Adjusted R² variation | 0.086 | 0.106 |

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).
3.2.2. Assessing the model hypotheses "managerial ownership / innovation / firm performance

For the sake of identifying the mediating role of innovation level, Baron and Kenny (1986) affirm, as mentioned above, that four conditions need to be checked in order to test our research hypothesis. Both models: 4 (reduced model) and 5 (reduced model), contained the independent variable (manager property "PRODGT") along with the control variables while predicting the successive dependent variables, namely: firm performance (measured by ratios "ROE" and "ROA") and innovation level ("INDINOV" a third-step mediating variable). As for model 6 (full model), it includes all the variables: i.e. the independent variable ("PRODGT"), the mediating variable ("INDINOV"), the control variables (size, sector and listing) together with the dependent variable i.e. firm performance. The first condition requires that the independent variable "PRODGT" should be linked to the dependent variable (firm performance). Indeed, it is necessary to perform a hierarchical multiple regression analysis while considering the control variables. The regression steps are presented in Table 4 below. The results reached show that the explanatory power of the "ROA" through the variable "PRODGT" is moderately weak (adjusted R² = 0.046). The model’s overall quality is statistically acceptable (F = 2144, p <10%). It likely appears that at least one of the explanatory variables would bring a significant contribution to the overall fluctuations of the firm performance. However, regarding the case in which performance is measured through "ROE", the concerned model appears to have a weak explanatory power (adjusted R² = 0.017). The model’s overall quality is insignificant (F = 1396, p = 0.242). Noteworthy, at this level, more of the control variable contained in model 4 enables to predict the Tunisian firms’ performance.

The Student tests reveal a positive relationship between the managerial property "PRODGT" and firm performance. This relationship is statistically significant at a 5 % threshold compared to the "ROA" (β = 0.053; t = 2.242; p = 0.027) and also with respect to the "ROE" (β = 0.045; t = 2.190; p = 0.031). This consolidates the fact that the manager’s property has a direct and significant impact on firm performance. Thus, the first condition is satisfied, confirming the sub-hypothesis (H2.1).

The second condition consists in highlighting a significant impact of the independent variable "PRODGT" on the mediating variable "INDINOV" considered as a dependent variable to be explained in a regression analysis of X_M (mediating variable) on X (explaining variable) in the presence of control variables. It stems from model 5 (reduced model) that this relationship is statistically significant at a threshold of 1 % (F = 5.090, see Table 4). In addition, the regression coefficient associated to the variable "PRODGT" is positive (β = 0.034) and significant at 1%. Hence, the second condition is also satisfied allowing the accepting of the sub-hypothesis (H2.2). Similarly, it is also worth noting, regarding this model, that the business sector, as a control variable, appears to significantly and negatively influence the innovation level.
thresholds; *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

For the purpose of assessing the third condition pertaining to the mediation-effect of innovation between the manager’s ownership and firm performance, we have resorted to model 6 (full model) to test this relationship. The achieved results indicate that the "INDINOV" (potential mediating variable) remains significant in explaining the dependent variable (firm performance measured by the "ROE" and "ROA" variables) after having taken the predictor-variable into account. The regression coefficient of the variable "INDINOV" has a positive and significant value relative to the "ROA" (β = 0.409; t = 3.612; p < 1%) and to the "ROE" as well (β = 0.313; t = 3.612; p < 1%, see Table 5). The third condition is in turn fulfilled, thus confirming the sub-hypothesis (H21).

The ultimate step relative to the approach of Baron and Kenny (1986) enables evaluation, partially or completely, of the nature of mediation by examining the significance of direct links between the independent and dependent variables. Table 5 depicted results highlight that the variable "PRODGT"-associated coefficients are by no means statistically significant whatever the performance measure applied, though they have been statistically significant over the first step of Baron and Kenny’s (1986) framework. The "PRODGT" variable regression coefficients show positive and non-significant signs in respect of the "ROA" (β = 0.034; t = 1.514; p = 0.134) and also compared to the "ROE" (β = 0.029; t = 1.439; p = 0.154). It follows that mediation through the innovation level is then complete the managerial property and firm performance. These results allow us to accept the sub-hypothesis (H24), and consequently, hypothesis H2 is validated.

The indirect effect of the managerial property on firm performance is reliable. Through his effect on the firm’s innovation level, the manager’s property can significantly increase firm performance. Indeed, Table 5 shows that the regression model 6 (full model) presents a sufficient explanatory power with regards to both measurements of firm performance. Thus, on taking into account the innovation’s mediating-effect, this model proves to help increase the percentage of variance explained in respect of model 4. As for the case in which performance is measured by the "ROA", the adjusted R² passes from 0.046 to 0.159 and the F value proves more significant at the threshold of 1 %. Similarly, when performance is measured through the "ROE", the adjusted R² goes from 0.017 to 0.133 and the F statistic confirms that the model 6 turns out to be more significant in respect of model 4 (as a non-significant model). This increase in adjusted R² is naturally related to the consideration of the innovation level’s mediating effect. Thus, the inclusion of the mediating variable is significantly important, which highlights the fact that this variable presents an effective predictor of the dependent-variable (i.e. firm performance).
The direct effect of managerial ownership on performance is non-significant when the innovation level is introduced as a mediating variable. However, it significantly and positively affects the innovation level. These innovation activities, in turn, positively affect performance, and, as a result, the managerial ownership direct effect on firm performance decreases. Thus, one can conclude that the impact of the manager’s ownership on firm performance remains indirect due to the innovation level’s perfect mediation.

It is worth highlighting that introducing the mediating effect in the full model enables to improve the model’s overall significance. The inclusion of the mediating variable, the level of innovation, leads to a significant increase in the explanatory power of the full model in terms of adjusted $R^2$. At this level, it should be underlined that, following these results, the weak explanatory power of the governance-traditional model could be explained by the quasi absence of analysis relevant to the mediating effect of intermediary variables which are critical determinants of the causal relationship between the managerial ownership and firm performance.

3.2.3. Assessing the model hypotheses "banks ownership / innovation / firm performance"

For the purpose of highlighting the innovation’s mediating role in the relationship between the banks ownership ("PROBQ") and firm performance ("ROE" and "ROA"), the approach proposed by Baron and Kenny (1986) has been undertaken and presented in the table below.
Table 5 - Hierarchical-regression results of steps 3 and 4 (Model 6)
(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 3</th>
<th>Step 3 &amp; Step 4 Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ROA β</td>
<td>ROA t</td>
</tr>
<tr>
<td></td>
<td>ROE β</td>
<td>ROE t</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOGTA</td>
<td>8.796E-02 0.100 n.s</td>
<td>3.548E-02 0.071 n.s</td>
</tr>
<tr>
<td>SECT</td>
<td>3.795E-02 1.243 n.s</td>
<td>3.220E-02 1.439 n.s</td>
</tr>
<tr>
<td>COT</td>
<td>-3.182E-02 -0.917 n.s</td>
<td>3.605E-03 0.190 n.s</td>
</tr>
<tr>
<td>Mediator</td>
<td>INDINO V 0.350 2.499**</td>
<td>0.409 2.830 ***</td>
</tr>
<tr>
<td>Predictor</td>
<td>PRODGT 3.456E-02 1.514 n.s</td>
<td>2.877E-02 1.439 n.s</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.051</td>
<td>0.069</td>
</tr>
<tr>
<td>F value</td>
<td>2.264 ***</td>
<td>2.755**</td>
</tr>
<tr>
<td>Adjusted R² variation</td>
<td>0.113</td>
<td>0.116</td>
</tr>
</tbody>
</table>
The direct effect of managerial ownership on performance is non-significant when the innovation level is introduced as a mediating variable. However, it significantly and positively affects the innovation level. These innovation activities, in turn, positively affect performance, and, as a result, the managerial ownership direct effect on firm performance decreases. Thus, one can conclude that the impact of the manager’s ownership on firm performance remains indirect due to the innovation level’s perfect mediation.

It is worth highlighting that introducing the mediating effect in the full model enables to improve the model’s overall significance. The inclusion of the mediating variable, the level of innovation, leads to a significant increase in the explanatory power of the full model in terms of adjusted R². At this level, it should be underlined that, following these results, the weak explanatory power of the governance-traditional model could be explained by the quasi absence of analysis relevant to the mediating effect of intermediary variables which are critical determinants of the causal relationship between the managerial ownership and firm performance.

3.2.3. Assessing the model hypotheses "banks ownership / innovation / firm performance"

For the purpose of highlighting the innovation’s mediating role in the relationship between the banks ownership ("PROBQ") and firm performance ("ROE" and "ROA"), the approach proposed by Baron and Kenny (1986) has been undertaken and presented in the table below.

For the sake of checking the first condition necessary for a variable to be a mediator one, we refer to Table 6 relative to the results of steps 1 and 2. It is worth noting that the Fisher test is statistically significant at 5% (adjusted R² = 0.091 and 0.057 for "ROA" and "ROE", respectively). These results prove that at least one of the explanatory variables makes a significant contribution to the overall set of fluctuations pertinent to firm performance (i.e. at least one of the parameters (β) is significantly different from zero.) yet, according to the Student tests, the independent variable "PROBQ" is not explanatory for the variation of the variable "firm performance" (for "ROA", β = 0.071 and p> 10 and "ROE" β = 0.092 and p> 10, see table 6). Nevertheless, firm size, as a control variable, proves to have a negative and significant effect on firm performance. This can be explained by the banks’ doubt with regards to large firms which have the means and resources to manipulate their results, according to their interests. The two remaining control variables are not statistically significant in explaining firm performance. For this reason, the first condition of the undertaken approach proposed by Baron and Kenny (1986) remains unsatisfied.

This result tends to suggest that the innovation level is not a mediating variable that stands between the banks’ capital participation and firm performance. Indeed, the mediation hypothesis is totally rejected. Thus, the sub-hypotheses (H3.1, H3.3, and H3.4) are rejected. Still, the banks’ ownership has a significant effect on the firm’s innovative policy (the Fisher value (5.045) is significant at a 1% threshold and the Student test (β = 0.316) is significant at 5%). The second condition seems to be verified, thus confirming the sub-hypothesis (H3.2).

To sum it up, the test results pertinent to this relationship prove that the "PROBQ" has no significant effect on firm performance, contradicting a mediating relationship between the three variables, namely: the banks’ ownership, innovation and firm performance. As a result, the hypothesis H3 has not been validated.
Table 6 - Hierarchical-regression results of steps 1 and 2 (Model 7-8)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Outcome: Firm performance</th>
<th>Outcome: Innovation Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ROA</td>
<td>ROE</td>
</tr>
<tr>
<td>Step 1 Model 7</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>LOGTA</td>
<td>-7.908E-02</td>
<td>-3.179*</td>
</tr>
<tr>
<td>SECT</td>
<td>-8.232E-02</td>
<td>-0.942 n.s</td>
</tr>
<tr>
<td>COT</td>
<td>6.982E-02</td>
<td>0.703 n.s</td>
</tr>
<tr>
<td>PROBQ</td>
<td>-0.216</td>
<td>-0.721 n.s</td>
</tr>
</tbody>
</table>

Control variables

Predictor

Adjusted R²: 0.091 0.057 0.147

F value: 3.349** 2.424** 5.045***

(Thresholds: *** significant at 1 %, ** significant at 5 %, * significant at 10 %, n.s: non significant).

In general, the present study achieved results prove to have important implications regarding both the theoretical as well as practical levels. On the one hand, our research provides a further contribution to the existing knowledge by proposing an integrative model which allows measuring the simultaneous effect of the ownership structure on innovation and performance. Mediating-variable modelling regarding the current corporate-governance related research has not been developed, yet. Nevertheless, this study provides an initial early-stage response to both conceptual and methodological levels.

In addition, our results demonstrate that firms prove to have interesting motives and benefits leading them to invest in innovative activities, enhanced by the desire to significantly increase their shareholding along with overall profitability and turn over. Moreover, if one is to focus on the individual effects of governance mechanisms, our results suggest that firms would take advantage in attaching great importance to the ownership concentration and manager shareholding. In fact, two variables seem to be positively and significantly associated with firm performance through the innovation level. The innovation mediating effect though partial has been demonstrated and proven for these variables. Similarly, this study provides a further contribution to the relevant literature, given the fact that, so far, it is only the shareholder’s financial contribution that has exclusively been considered, overlooking its cognitive contribution.

Conclusion

The limited explanatory power of the proposed financial-model of governance has led to the exploration of other complementary approaches, namely, the cognitive trend of corporate governance. This choice is justified by the ascension of intangible assets in the value creation process. The relationship modelling between the three concepts, namely “ownership structure, innovation, and performance”, can be summarized as follows. Given the fact that innovation that could act as a mediating variable for a particular ownership-structure pertinent variable and not for another, the assessing such a mediating effect has been achieved by the development of a three-model framework in accordance with the number of ownership variables used in this study.

Noteworthy, several empirical studies highlighted that ownership structure is more or less linked to firm performance (O'Sullivan 2000; Eng and Shackell 2001; Abdullah et al. 2002; Anderson and Reeb 2003;
However, a common feature among these studies lies in the fact that most of them tend to focus on the direct association between ownership structure and firm performance while overlooking other intermediary-mediating factors that may prove to be relevant to understand the pertinent causal relationship. A prospectively fruitful research line seems imposed, which consists in extending the investigation perspective so as to include a cognitive approach to corporate governance whereby a mediating-variable modelling framework could be adopted, namely via the innovation level. It is likely that the latter would exert a mediating effect on the relationship governing ownership structure and firm performance. Hence, such an indirect effect could be demonstrated through evaluating the innovation’s potential-mediating effect.

In this regard, our results indicate that only the variables "ownership-concentration" and "managerial ownership" turns out to be exclusively relevant in determining the mediating effect on the basis of the Baron and Kenney (1986) devised methodology. Indeed, taking into account the mediating variable, innovation level proves to significantly improve the explanatory power of both models pertaining to the "ownership concentration / innovation / performance" and to "managerial ownership / innovation / performance". It follows that the impact of the variables "ownership concentration" and "managerial ownership" on firm performance appears to be simultaneously direct and indirect. Actually, the impact turns out to be indirect through the quasi-total mediation of the "innovation-level" variable. It is likely that the shareholder’s financial and cognitive contributions along with the managerial ownership do play a major role in explaining the innovation level. On one hand, the main shareholder’s engagement constitutes a profitable advantage for the development of internal-innovation projects. On the other hand, the shareholder-manager’s training allows the improvement of the firm’s innovation potential thanks to his acquired knowledge and information, relevant factors necessary for developing such projects; this factor has been empirically validated with regards to the Tunisian context. Noteworthy, however, the innovation’s mediating-effect has not been well demonstrated with respect to the banks’ ownership and firm performance. The bank’s presence in the capital turns out to have no significant effect on the firm’s innovation policy and, consequently on its performance. This can be explained by the fact that the Tunisian bank plays a monitoring role rather than a knowledge and skill-transfer one.

Noteworthy, however, although this research provides further contributions to the understanding of the major innovation and performance determinants, it still displays some limits and leaves many questions unanswered as regards the issue of investment, as it is the case with the entirely other exploratory studies relevant to this field. In addition to the already-investigated ownership structure, the model should incorporate other internal as well as external control mechanisms likely to lead to a potential theoretical and empirical improvement of the model for a more thoroughly complete representation of reality.
References


Herzberg’s Two-Factor Theory of Motivation: Empirical Evidence from the Arabian Gulf

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Abstract

The purpose of this qualitative research was to explore whether Herzberg’s two factor theory of motivation applies to the work context in the Arabian Gulf. Ten practicing managers of different job levels, industries, and sectors in Oman’s Muscat metropolitan area participated in in-depth interviews. The semi-structured format of the interviews facilitated consistency and flexibility in the data collection. The interviews were digitally recorded, transcribed verbatim and scrutinized to determine emergent themes. Overall, the analysis of the interview data revealed support for Herzberg’s two factor theory. At the same time, it emerged that cultural characteristics of the research context – collectivism, high power distance, high uncertainty avoidance, and moderate masculinity – influence the structure of motivating and demotivating factors. This suggests that caution must be exercised when transferring management theories across cultures. The study discusses managerial implications for motivating employees.

Keywords: Herzberg’s two-factor theory, field survey